



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2013

MIDLAND, TEXAS

THE CITY OF MIDLAND, TEXAS

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013**

Prepared By:

Finance Department

Pam Simecka, Director of Finance

Thomas R. Howell, Comptroller

Charlene A. Fox, Accounting Manager

City of Midland
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2013

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March 21, 2014

Honorable Mayor
and Members of the City Council
City of Midland, Texas

Dear Mayor and Council:

The Comprehensive Annual Financial Report (CAFR) for the City of Midland (the City) for the year ended September 30, 2013 is submitted herewith in compliance with Article IV, Section 29, of the City Charter. This report is published to give our citizens convenient access to a report of the financial condition of our City, its resources during the past fiscal year and uses made of such resources, the results of operations of the various proprietary funds, and comparative and statistical information. The information contained herein will also serve our City Council, management, and staff as a guide in formulating policies and conducting the City's day-to-day affairs. The City's Finance Department is responsible for the accuracy of the data presented and the completeness and fairness of the presentation.

We believe the data presented is accurate in all material aspects and that all disclosures necessary to enable the reader to acquire an understanding of the City's financial activity have been provided.

Independent audits are an essential element of financial control and accountability. The City Charter requires an annual audit to be made of the financial records of the City by a competent public accountant selected by the City Council. Federal guidelines established for local governments receiving federal assistance require that programs receiving federal assistance be audited in conjunction with the local government's annual audit under the "single audit" concept. The City has complied with these requirements. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview, and analysis of the basic financial statements, including comparative data from past year. It can be found immediately following the independent auditor's report. MD&A complement this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City was incorporated on January 11, 1911, under the provisions of H.B. 901 of the Texas Legislature. It was subsequently chartered on November 5, 1940 (amended May 4, 1996) and operates under a Council-Manager form of government. The City Council comprises a Mayor and seven members and is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards, the City Manager, City Attorney, City Secretary, and Municipal Judge. The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and

ordinances, the appointment and supervision of department managers, and the performance of functions within the municipal organization.

The financial reporting entity contains all funds of the primary government (i.e., the City of Midland as legally defined), as well as its component units. Component units are legally separate entities for which the primary government is financially accountable. The City provides a wide range of services to the citizens, including police and fire protection, health and social services, public improvements, streets, traffic control, planning and zoning, water and sewer, solid waste, airports, parks and recreation facilities and general administrative services.

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Midland Football/Soccer and Baseball Complex Development Corporation (SCDC) and the Midland Development Corporation (MDC) are reported as discretely presented component units.

LOCAL ECONOMY

Midland is located midway between Fort Worth and El Paso, along Interstate 20, in West Texas. The city has remained a management center, reflecting a unique concentration of highly trained and educated personnel. According to the U.S. Census Bureau 2008-2012 American Community Survey 5-year estimate, bachelor's degrees or higher are held by 17.4% of the population 25 years and older, and graduate or professional degrees are held by 6.8%. Attributes, such as the educational levels of the populace, in conjunction with good weather, the high quality of life, and the central location, which facilitates travel and shipping to both coasts, have made Midland a viable candidate in the recruitment of new or relocating businesses.

In 2013, Midland attained the nation's highest average personal income per capita for the 3rd consecutive year. Midland serves as a regional administrative center for petroleum production.

In general, the economic outlook for the City is stable. According to the Texas Workforce Commission, Midland reported an unemployment rate of 3.3% for September 2013, lowest among Texas Metropolitan Statistical Areas. Midland is doing an excellent job of utilizing economic development resources, primarily economic development tax funds, to expand the economic base by attracting new companies and also assisting local existing businesses with funding expansion projects.

The Tax Increment Reinvestment Zone (the TIRZ) for downtown Midland was created to fuel growth in the downtown portion of the city by reinvesting the tax revenues from the increased values in the TIRZ back into downtown. It is anticipated that improvements will significantly enhance the zone and benefit the whole city. Nearly 28 million in improvements is forecast to be spent over the projected 30 year life of the TIRZ. September 17, 2013, a resolution was passed by City Council authorizing the City Manager to negotiate and execute an amendment to the memorandum of understanding with the TIRZ #1, increasing the TIRZ property valuation cap from \$260,000,000 to 1,000,000,000.

The city's residential, commercial and industrial growth has been influenced by the development of two city airports, Midland International Airport and Midland Airpark. Midland International Airport is the hub of aviation activity for a 43 county area of West Texas and southeast New Mexico. The full service Foreign Trade Zone (FTZ) at the Midland International Airport assists in the development of a diversified economy. Midland International is also a designated Port of Entry and has a U.S. Customs Office. The city's population, estimated to be 124,804, has been growing steadily. Strong energy prices continue and are increasing the demand for labor and growth in the population base. A steady growth in the number of utility connections and annexations has created more demand on the water system and development of the T-Bar well

field is helping meet the demands of a growing city. This growth will continue to present major opportunities in commercial, industrial and residential areas. The past several years have seen the opening of a number of new national chain retail and service businesses. Normal growth is expected in the property tax base for Fiscal Year 2013, and the growth rate for sales tax receipts continues to be strong due to higher, stable energy prices.

LONG-TERM FINANCIAL PLANNING

Every year, the City Council sets a list of priorities as targets for action during the next year. The list is a product of the Strategic Planning Session where City Council and City Staff come together and design a blueprint for action. This includes examining where we have been as well as planning and preparing for the future needs of the City.

During the 2013 Strategic Planning Session, the following strategic initiatives were adopted by City Council for 2013-2014.

STRATEGIC INITIATIVES

- City-Wide Traffic Study: Set out plan to improve flow of traffic and begin immediate implementation of traffic mitigation efforts.
- Development Processes: Define a reasonable development process with options to fast track projects at developers' expense; ensure cost structures are in place that allow development to pay for itself.
- Transportation Network: Evaluate existing and future traffic conditions for the City and suggest short- and long-term infrastructure improvements to address the increases in traffic volume.
- Infrastructure Extension: Create infrastructure extension policies and plans to foster future development in growing parts of the community.
- Land Banking: Develop a policy recommendation that includes partnership with local schools and developers in addition to aggressively pursuing options for future parks, open space and city facilities.
- Housing: Create tax credit strategies and aggressively pursue tax credits for eligible projects.
- Cost of Service: Complete an internal cost of service fee study through the budget process.

MAJOR PROJECTS

- Established a development agreement between the Midland Development Corporation and the City of Midland for the extension of Tradewinds Boulevard and the construction of associated drainage and utility improvements between Thomason Drive and the Gateway Plaza.
- Execution of a public improvement development agreement with Brighton County Development, LLC for development of Cross Pointe Addition generally located along the Briarwood Avenue Corridor between Holiday Hill Road and Avalon Drive.

- Mill and overlay street improvements project for 2013 to mill the existing asphaltic pavement to a 2 inch depth, re-pave and apply new reflective pavement markings.
- Purchase of water rights and the surface estate of property in the vicinity of the T-Bar Ranch.
- Landfill Cell 7 project is ongoing at the City of Midland Landfill with an approximate completion date sometime in fiscal year 2014
- The Midland International Airport substantially completed the rehabilitation of taxiway systems project 7003.

The seven strategic initiatives discussed during the 2013 Strategic Planning Session are all key items that will enhance the energy and quality of life in the City Of Midland.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The accrual basis of accounting is used to report all City financial activity in the government-wide financial statements. Under the accrual basis, revenues are recognized in the accounting period in which they are earned. Expenses are recorded in the accounting period incurred.

The City uses the modified accrual basis of accounting for all Governmental Funds (General, Special Revenue, Debt Service, and Capital Projects), and the financial statements for these funds have been prepared on this basis. Under this basis, expenditures are recorded when liabilities are incurred and revenues are recorded when they become both measurable and available.

The accrual basis of accounting is followed for the Enterprise and Internal Service Funds. The financial statements for these funds are presented on that basis. Under the accrual basis, revenues are recognized in the accounting period in which they are earned. Expenses are recorded in the accounting period incurred.

The City Manager, through his appointee, the Director of Finance, is responsible for maintaining an adequate and effective system of accounts and for establishing and maintaining an internal accounting control system that gives reasonable assurance that assets are being safeguarded against loss from unauthorized use or disposition, and that the financial records can be relied upon for preparing financial statements and maintaining accountability for assets.

We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget, which represents the financial plan for the ensuing fiscal year, includes proposed expenditures and the means of financing them. Public hearings are conducted at which comments from all interested persons concerning the budget are heard. The budget is legally enacted by the City Council through passage of an ordinance.

Appropriations are legally adopted at the division level for the General Fund and Debt Service Fund on a basis consistent with generally accepted accounting principles. Budgetary controls are maintained at the major category of expenditure level within each operating division. All anticipated expenditures are budgeted for control purposes. Encumbrances are used for managerial control through the year. Budget appropriations and encumbrances other than project appropriations lapse at the end of the fiscal year.

FINANCIAL PRACTICES

The City adheres to the following financial and managerial practices:

1. Prudent budgeting and effective budget control. Budgeting replacement of capital equipment as the need arises (office machines, automobiles, heavy equipment, etc.).
2. Prudent use of federal funds when available.
3. Pay-as-you-go financing of capital improvements where feasible.
4. Scheduling bond issues so that retirements over the life of the issues produce a total debt service schedule with a declining balance.
5. Plan capital improvements on a five-year plan, updated annually.
6. Passing a share of the cost of extending utilities and improvements in subdivisions to property owners of the subdivisions rather than to the general public.
7. Providing working capital in all funds sufficient to meet current operating needs.
8. Protection of investment principal, including required pledging of collateral to protect deposits within our depository bank.
9. Accounting and reporting in accordance with methods prescribed by the Governmental Accounting Standards Board (GASB), and making such reports available to bond rating agencies and other financially interested organizations.

MAJOR INITIATIVES

Service to the citizenry is a priority of governments. Maintaining and improving infrastructure and quality of life are a large part of that service. The Water Purification Plant upgrades projects are coming to a close with an estimated cost of \$7.1 million projected to finish in the winter of 2014. The construction of the water reclamation facility will be completed in the winter 2014, built to provide reclaimed water to Midland College the City's largest irrigation user. The estimated cost of this project is \$6.5 million. The T-bar well field was completed June 2013; this was to provide water to Midland due to the extreme drought conditions. The Wadley and Edgewood Towers are to be rehabilitated starting in the winter of 2014, the projected amount for this project is \$1.5 million, to be completed in the summer of 2014. In August 2013, the city accepted A.I.P Grant No. 3-48-0150-54-13 in the estimated amount of \$3,404,500 to be used for the payment of cost associated with Northwest Taxiway Extension Project, Perimeter Emergency Roadway and Gates Rehabilitation project, design phase of lighting cable replacement, entrance road and signage, and design phase of access control software and cable projects at the Midland International Airport.

GENERAL GOVERNMENTAL FUNCTIONS

All eligible property within the City is subject to assessment, levy, and collection by the City of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. According to Article V, Section 2, of the City Charter, the maximum tax levy is \$2.00 per \$100.00 of assessed valuation, which includes debt service. Based upon an assessed valuation of 100% of market valuation, the tax rate for Fiscal Year 2013 was established at 46.1088 cents per \$100.00 of assessed valuation.

A comparison of tax rates, together with allocations to the General Fund and the Debt Service Fund are as follows:

Roll Year	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Fiscal Year	13/14	12/13	11/12	10/11	09/10
General Fund	\$.385719	\$.404049	\$.41845	\$.41719	\$.3975
Debt Service	<u>.046208</u>	<u>.057039</u>	<u>.05209</u>	<u>.05566</u>	<u>.0593</u>
Total	<u>\$.431927</u>	<u>\$.461088</u>	<u>\$.47054</u>	<u>\$.47285</u>	<u>\$.4568</u>

The City sales tax rate is 1%. Sales taxes are collected by the State of Texas (the State) and remitted to the City monthly. This source of revenue amounted to \$39,046,477, which was an increase of 10.1% from the prior fiscal year. Sales tax receipts are expected to remain strong with anticipated receipts exceeding fiscal year 2013 by more than 9.5% due to a growing local economy and strong, stable oil and gas prices.

Gross receipt taxes include franchise taxes levied on the electric, gas, telephone, water, sanitation, and cable television utilities. A hotel occupancy tax partially funds the operation of the Midland Center, also funding economic development and promotion of tourism. The hotel occupancy tax was particularly strong during 2013, an increase of 25.2% from the prior fiscal year.

DEBT ADMINISTRATION

The City's strong, positive, and responsive management is reflected by the fact the City has maintained its strong ratings through the challenges of changing economies. During 2012, both Moody's Investors Service and Standard & Poor's reaffirmed the underlying rating on the City's general obligation debt at Aa1 and AA+, respectively. During 2013, the ratings for the City of Midland debt obligations remained the same for Moody's Investors Service and Standard & Poor's.

The City of Midland has never defaulted on any required debt payment or other debt obligation. Additional information regarding bonded debt is presented in the supplementary information in the statistical tables.

The following summary represents the ratings currently assigned to the City of Midland debt obligations by the major rating agencies:

	Moody's Investors <u>Service</u>	Standard & <u>Poor's</u>
General Obligation Bonds	Aa1	AA+

FISCAL RESPONSIBILITIES

The City adheres to a policy of a balanced budget and careful and conservative management of the City's resources, primarily on a pay-as-you-go basis. Because of this, the City has maintained and will maintain a strong financial condition for the benefit of its citizens.

AWARDS AND ACKNOWLEDGMENTS

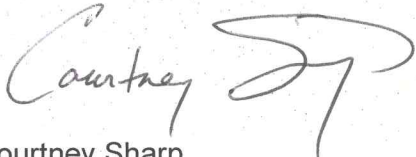
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Midland, Texas, for its comprehensive annual financial report for the fiscal year ended September 30, 2012. This was the twenty-seventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report, and the maintenance of the records upon which it is based, required the services and cooperation of the staff of the Accounting Division, together with assistance from other departments and divisions of the City, and the assistance of the City's independent auditors. All of these efforts are greatly appreciated.

We also wish to thank the Mayor and members of the City Council for their responsible manner of conducting the financial operations of the City.

Respectfully submitted,



Courtney Sharp
City Manager



Pam Simecka
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

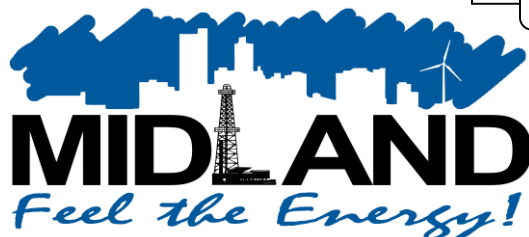
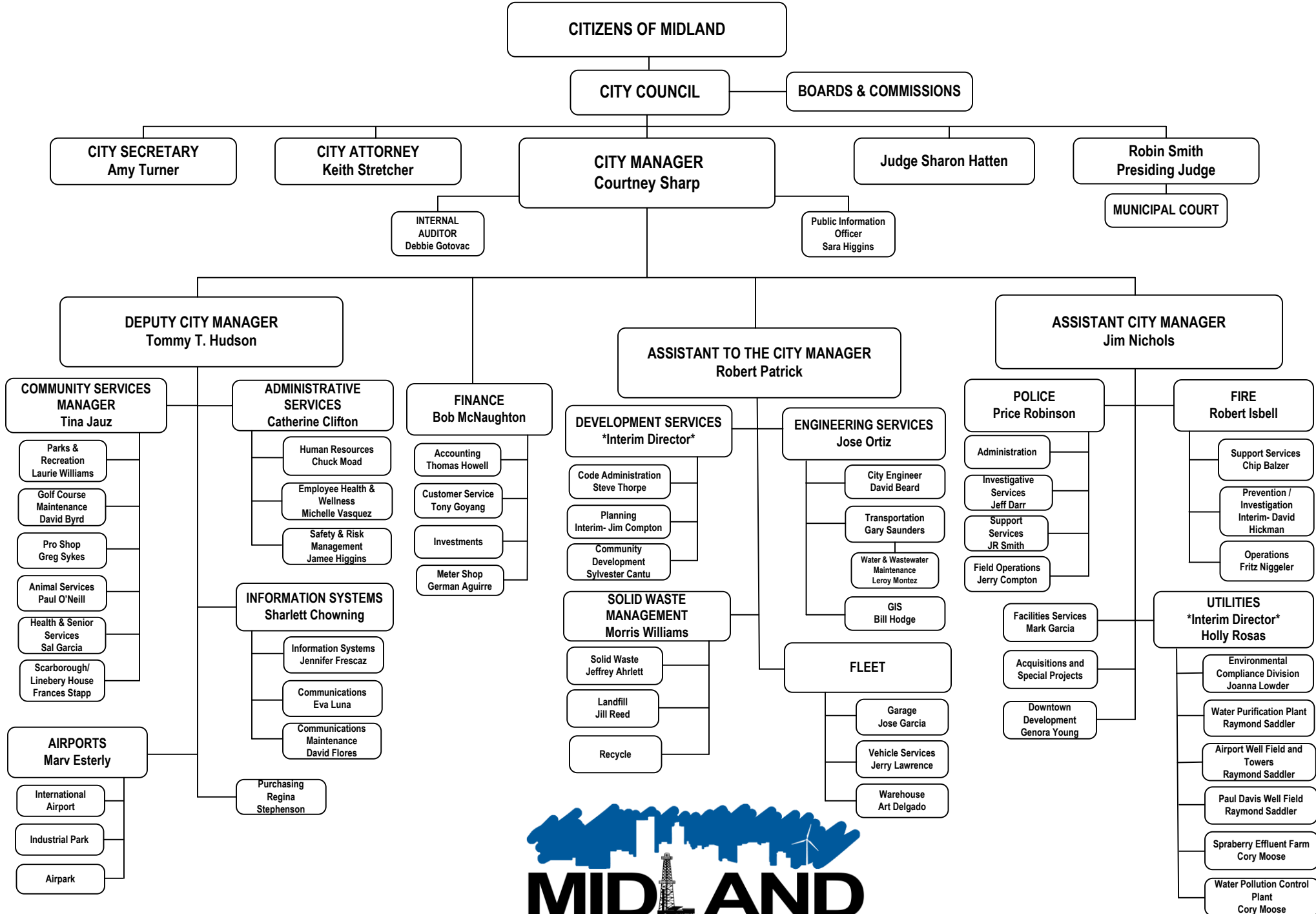
**City of Midland
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

A handwritten signature in dark ink, reading "Jeffrey R. Emer".

Executive Director/CEO



ORGANIZATION CHART

September 2013

CITY OF MIDLAND
PRINCIPAL OFFICIALS

CITY COUNCIL

The Honorable W. Wesley Perry	Mayor	
A. Scott Dufford	At Large	Council Member
Jerry F. Morales	At Large	Council Member
W. Jeffrey Sparks	District 1	Mayor Pro Tem
John Love III	District 2	Council Member
John H. James	District 3	Council Member
Michael B. Trost	District 4	Council Member

OTHER PRINCIPAL OFFICERS

Courtney B. Sharp	City Manager
Tommy T. Hudson	Deputy City Manager
James R. Nichols	Assistant City Manager
Robert Patrick	Assistant to City Manager
Keith Stretcher	City Attorney
Amy M. Turner	City Secretary
Price Robinson	Chief of Police
Robert Isbell	Fire Chief
Pam Simecka	Director of Finance
Tina Jauz	Director of Community Services
Marv Esterly	Director of Airports
Holly McGrath Rosas	Interim Director of Utilities
Morris Williams	Director of Solid Waste Management



KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

Independent Auditors' Report

The Honorable Mayor, City Council, and City Manager
City of Midland, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Midland, Texas (the City), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Midland, Texas, as of September 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and Budgetary Comparison Information on pages 13–28 and 99–107 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The combining and individual nonmajor fund financial statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KPMG LLP

March 21, 2014

CITY OF MIDLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2013
(Unaudited)

As management of the City of Midland, Texas (City of Midland or City), we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City of Midland for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Financial Highlights

- The assets of the City of Midland exceeded its liabilities at the close of the most recent fiscal year by \$456.3 million (net position). Unrestricted net position of \$123.1 million, a decrease of \$14.3 million from the prior year, may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Midland governmental activities reported combined net position of \$159.6 million, an increase of \$17.2 million in comparison with the prior year. Approximately 32.4% of this total amount, \$51.8 million, is available for spending at the government's discretion (unrestricted net position).
- As of September 30, 2013, unassigned fund balance for the General Fund was \$44.3 million, or 45.5% of total General Fund expenditures. At the close of the prior fiscal year, unassigned fund balance for the General Fund was \$49 million or 59.9% of that year's expenditures.
- The government's business-type activities total net position increased from \$285.8 million in Fiscal Year 2012 to \$296.7 million in the current year, a change of 3.8%. Factors in this change were \$0.9 million net revenues in water and sewer activities, \$6.2 million net revenues in sports complex activities and \$4.2 million in airport grants and contributions.
- The City of Midland's total debt increased by \$178.3 million during the current fiscal year. The source of this increase was the \$197.3 million capital lease agreement with the Midland County Fresh Water District and this was offset by retirement of \$18.9 million in debt principal and decreases in deferred amounts of \$0.1 million.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Midland's basic financial statements. The City of Midland's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

CITY OF MIDLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2013
(Unaudited)

Government-wide Financial Statements

The statement of net position presents information on all of the City of Midland's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Midland is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Midland that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Midland include general government, development services, engineering, community services, police and fire. The business-type activities of the City of Midland include airport, water and sewer, sanitation, sports complex and golf course operations.

The government-wide financial statements include not only the City of Midland itself (known as the primary government), but also a legally separate sports complex development corporation and a legally separate economic development corporation for which the City of Midland is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Midland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Midland can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

1. Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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Fund Financial Statements (continued)

1. Governmental Funds (continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Midland maintains 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Debt Service Fund, both of which are considered to be major funds. Data from the other 19 governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

2. Proprietary Funds

The City of Midland maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Midland uses enterprise funds to account for its airport, water and sewer, sanitation, sports complex and golf course operations. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City of Midland's various functions. The City of Midland uses internal service funds to account for its warehouse, garage, technology equipment and support, and three self-insurance funds. Because the warehouse services predominantly benefit business-type rather than governmental functions, the Warehouse Fund has been included within business-type activities in the government-wide financial statements. The remaining internal service funds predominantly benefit governmental rather than business-type functions and have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. The Proprietary fund financial statements provide separate information for the Airport Fund, the Water and Sewer Fund, the Sanitation Fund and for the Scharbauer Sports Complex Fund, each of which is considered to be a major fund of the City of Midland.

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Fund Financial Statements (continued)

2. Proprietary Funds (continued)

Although it does not meet the criteria for a major fund, the Golf Course Fund is also presented separately since it is the only remaining enterprise fund. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Midland's progress in funding its obligation to provide pension benefits to its employees, other postemployment benefits, and budgetary comparison schedules. The City of Midland adopts annual appropriated budgets for its General and Debt Service funds. A budgetary comparison schedule is presented as required supplementary information for the General Fund to demonstrate budgetary compliance.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Midland, assets exceeded liabilities by \$456.3 million at the close of the most recent fiscal year and by \$428.2 million at the close of the previous fiscal year.

By far the largest portion of the City of Midland's net position, 68.4%, reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Midland uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Midland's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF MIDLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Government-wide Financial Analysis (continued)

Table 1
City of Midland's Net Position
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 126,063	\$ 118,045	\$ 114,714	\$143,960	\$240,777	\$262,005
Capital assets	111,053	95,588	498,243	278,361	609,296	373,949
Total assets	237,116	213,633	612,957	422,321	850,073	635,954
Long-term liabilities outstanding	63,595	62,092	301,488	118,554	365,083	180,646
Other liabilities	13,928	9,132	14,775	17,962	28,703	27,094
Total liabilities	77,523	71,224	316,263	136,516	393,786	207,740
Net position:						
Net investment in capital assets	95,068	79,951	216,897	189,427	311,965	269,378
Restricted	12,754	9,227	8,473	12,228	21,227	21,455
Unrestricted	51,771	53,231	71,324	84,150	123,095	137,381
Total net position	<u>\$159,593</u>	<u>\$142,409</u>	<u>\$ 296,694</u>	<u>\$285,805</u>	<u>\$456,287</u>	<u>\$428,214</u>

The restricted portion of the City of Midland's net position (\$21.2 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$123.1 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Midland is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net position increased \$28.1 million during the current fiscal year. Net position of governmental activities increased \$17.2 million and the net position of business-type activities increased \$10.9 million. The increase in governmental activities net position is the product of increased revenue from property taxes, sales taxes, hotel-motel taxes, charges for services and grants and contributions offsetting an increase in levels of expenses. The increase in the net position of business type activities is attributable to contributions, grants received, assets contributed by developers, and an increase in charges for services and payments received due to the growth in sales tax.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Government-wide Financial Analysis (continued)

Table 2
City of Midland's Changes in Net Position
(in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 11,969	\$ 9,807	\$ 83,107	\$73,820	\$ 95,076	\$83,627
Operating grants and contributions	2,163	1,474	63	383	2,226	1,857
Capital grants and contributions	8,532	3,725	7,950	6,325	16,482	10,050
General revenues:						
Property taxes	36,442	34,239	-	-	36,442	34,239
Sales taxes	39,046	35,473	-	-	39,046	35,473
Other taxes	17,767	16,310	-	-	17,767	16,310
Other	(1,002)	454	(773)	587	(1,775)	1,041
Total revenues	114,917	101,482	90,347	81,115	205,264	182,597
Expenses:						
General government:						
Administration	1,703	1,420	-	-	1,703	1,420
Support services	13,414	12,749	-	-	13,414	12,749
Fiscal management	2,307	2,225	-	-	2,307	2,225
Other	5,220	4,121	-	-	5,220	4,121
Development services	3,834	3,534	-	-	3,834	3,534
Engineering	12,322	10,643	-	-	12,322	10,643
Community services	11,397	9,934	-	-	11,397	9,934
Police	25,828	24,025	-	-	25,828	24,025
Fire	24,515	22,289	-	-	24,515	22,289
Interest on long-term debt	1,272	1,222	-	-	1,272	1,222
Airport	-	-	9,367	8,835	9,367	8,835
Water and sewer	-	-	48,134	37,402	48,134	37,402
Sanitation	-	-	11,310	10,813	11,310	10,813
Sports complex	-	-	4,364	4,243	4,364	4,243
Golf course	-	-	2,204	2,056	2,204	2,056
Total expenses	101,812	92,162	75,379	63,349	177,191	155,511
Increase/(decrease) in net position before transfers	13,105	9,320	14,968	17,766	28,073	27,086
Transfers	4,079	4,115	(4,079)	(4,115)	-	-
Increase in net position	17,184	13,435	10,889	13,651	28,073	27,086
Net position - October 1	142,409	128,974	285,805	272,154	428,214	401,128
Net position - September 30	\$159,593	\$142,409	\$296,694	\$285,805	\$456,287	\$428,214

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Governmental Activities

Table 3
City of Midland's General Revenues
(in Thousands)

	2013	2012	Increase (decrease)
Property taxes	\$ 36,442	\$34,239	\$2,203
Sales taxes	39,046	35,473	3,573
Gross receipts taxes	11,427	11,210	217
Hotel/motel taxes	5,769	4,606	1,163
Other taxes	571	493	78
Unrestricted investment earnings	(1,088)	432	(1,520)
Miscellaneous	86	23	63
Total general revenues	<u>\$ 92,253</u>	<u>\$86,476</u>	<u>\$5,777</u>

The City's general revenues provided \$92.3 million, an increase of \$5.8 million from fiscal year 2012, to fund the costs associated with activities that are not self-supporting. It is anticipated that governmental activities will not be self-supporting and be paid for through general revenues.

Revenues for governmental activities were \$114.9 million, excluding transfers from other funds of \$4.1 million, and were used to pay for expenses associated with governmental activities of \$101.8 million. This is compared with revenues in Fiscal Year 2012 for governmental activities of \$101.5 million, excluding transfers from other funds of \$4.1 million, paying for governmental activities of \$92.2 million in that year.

The primary sources of revenue for governmental activities are taxes, fees, investment earnings and grants and contributions. During fiscal year 2013, property taxes generated \$36.4 million, an increase of \$2.2 million over the previous year, and were derived from a property tax base of \$7.721 billion, up from \$7.095 billion the previous year, combined with a property tax rate of 46.1088 cents per hundred dollars valuation, a decrease of 0.009452 cents from the previous year. An economy affected by higher oil prices generated sales taxes of \$39 million, an increase from the previous year of \$3.6 million. Gross receipts taxes, or franchise fees, contributed \$11.4 million to operations. Operating grants and contributions provided \$2.2 million, while capital grants and contributions provided another \$8.5 million. Developer contributions comprised \$7.7 million, or 95%, of the total capital contributions. Investment income provided (\$1.1) million, a decrease of \$1.5 million. This was due to a decrease in the fair value of investments as of September 30.

The most significant expenses of governmental activities are those associated with providing police protection, fire protection, engineering, development services, community services and the support services necessary to provide these services. Police protection, \$25.8 million, and fire protection, \$24.5 million, represent a combined 49.4% of all governmental activities expenses

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities (continued)

this year, an increase of \$4 million from the previous year. Other postemployment benefits accounts for \$2.4 million of the police and fire costs.

Support services for all City functions, \$13.4 million, followed by engineering, \$12.3 million, and community services, \$11.4 million, are the largest governmental activities expenses outside of public safety related costs. The governmental activities expenses were funded with \$12 million charged for services rendered, \$2.2 million received as operating grants and contributions, and \$96.3 million in general revenues and transfers. During Fiscal Year 2012, support services for all City functions, \$12.7 million, followed by the engineering, \$10.6 million, and community services, \$9.9 million, were the largest governmental activities expenses outside of public safety related costs. The governmental activities expenses for Fiscal Year 2012 were funded with \$9.8 million charged for services rendered, \$1.5 million received as operating grants and contributions, and \$90.6 million in general revenues and transfers.

Business-Type Activities

Fiscal Year 2013 revenues of business-type activities contributed \$87.1 million to the operations of the City of Midland. Expenses of these activities were \$72.1 million before transfers of \$4.1 million, resulting in an increase to the City's net position of \$10.9 million from business-type activities. Fiscal Year 2012 revenues of business-type activities contributed \$81.1 million to the operations of the City of Midland. Fiscal Year 2012 expenses of these activities were \$63.3 million before transfers of \$4.1 million, resulting in an increase to the City's net position of \$13.7 million from business-type activities.

Charges for services for business-type activities increased 10.5%. Water and Sewer revenue accounts for the largest portion of this increase. Lifting of drought related water restrictions and rate increases contributed to a revenue increase of \$4.1 million from the previous year. Sanitation charges for services increased \$2.6 million due to an increasing customer base and increased rates. Scharbauer Sports Complex had an increase of \$0.8 million from the previous year in contractual revenue based on sales tax receipts. The Airport and Golf Course provided the remainder of business-type activity charges for services.

Grants and contributions, \$8 million, and investment earnings, (\$0.8) million, were the other components of business-type activity revenue for the City. During Fiscal Year 2012, these two revenue streams were \$6.7 million and \$0.7 million, respectively. The increase in grants and contribution revenues during Fiscal Year 2013 is related to contributed infrastructure due to housing development. The \$1.5 million decrease in investment earnings during Fiscal Year 2013 is a result of a net decrease in the fair value of investments.

Expenses of business-type activities were less than combined revenues and grants. The Water and Sewer system had \$45.8 million in expenses, prior to \$2.2 million in transfers, Airport expenses were \$9.4 million, and Sanitation had \$11.3 million in expenses. Expenses were \$4.4 million and \$2.2 million, respectively, for the Scharbauer Sports Complex and Golf Course. Net position of all business-type activities increased from Fiscal Year 2012.

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Financial Analysis of the Government's Funds

As noted earlier, the City of Midland uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

1. Governmental Funds

The focus of the City of Midland's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Midland's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Midland's governmental funds reported combined ending fund balance of \$96.2 million, an increase of \$2.6 million in comparison with the prior year. Approximately 46.1% (\$44.3 million) of this total amount constitutes unassigned fund balance and is available for spending at the government's discretion. The remainder of fund balance is not available for new spending because it has already been 1) restricted by specific legal requirements, such as by debt covenants or other purposes (\$31.1 million), 2) committed and assigned to pay for specific types of expenditures (\$19.9 million), 3) nonspendable – prepayments or advances (\$0.9 million).

The General Fund is the chief operating fund of the City of Midland. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$44.3 million, compared with \$49.0 million last year, while 2013 total fund balance increased to \$58.9 million from \$58.7 million in 2012. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance currently represents 45.5% of total General Fund expenditures, down from 59.9% in 2012, while total fund balance represents 60.5%, compared with 71.7% in 2012, of that same amount.

Fund balance of the City of Midland's General Fund increased \$0.2 million during the current fiscal year. Key factors in this increase are as follows:

Sales tax receipts, which are driven by numerous economic conditions, were up \$3.6 million in accordance with the growth in the local economy, largely due to higher oil prices. Ad valorem tax revenues increased \$1.4 million due to an increased property valuation base which offset a rate decrease of \$0.014401 per hundred dollar valuation.

Expenditures in total were \$7.7 million more than original budget. Capital project expenditures not in the original budget accounted for \$10.5 million in increases to the budget. A major component offsetting these increases was \$3 million

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Financial Analysis of the Government's Funds (continued)

1. Governmental Funds (continued)

budgeted for mill and overlay that was transferred to a multi-year capital project.

Detail of these expenditures by activity is listed in the General Fund Budgetary Highlights below.

The total fund balance for the Debt Service Fund is \$0.5 million, all of which is restricted for the payment of debt service.

2. Proprietary Funds

The City of Midland's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$42 million, a decrease of \$9.7 million from 2012. The change in Water and Sewer total net position was a decrease of \$0.8 million. Removal of water use restrictions had an impact on water revenue, which was \$5.1 million higher than last year. Expenditures associated with the purchase of water, however, increased \$7.9 million. Capital contributions of \$3.8 million also contributed to the increase in total net position.

Airport Fund unrestricted net position amounted to \$3.9 million, down from \$9.1 million in Fiscal Year 2012. Airport Fund net investment in capital assets, increased by \$3 million, and total net position increased \$2.8 million. The Airport received \$4.2 million in capital and operating grants.

Unrestricted net position of the Sanitation Fund at the end of the year amounted to (\$2.7) million, down from \$0.4 million in 2012. However, Sanitation Fund net investment in capital assets, increased by \$5 million. The resulting change in total net position of \$1.9 million is mainly attributable to the increase in revenue over the previous fiscal year because of the increase in the landfill access fee and the additional tonnage accepted at the Municipal Solid Waste Facility due to the expanding population base.

The Scharbauer Sports Complex Fund unrestricted net position increased by \$4.5 million and total net position increased by \$6.4 million compared with the prior fiscal year. The Sports Complex Development Corporation contract revenue, which is a result of sales tax revenue to this component unit of the City of Midland, exceeded the payments for debt service by \$6.9 million.

Unrestricted net position of the Golf Course Fund at the end of the year amounted to \$(0.1) million, an increase of \$0.2 million from the previous fiscal year.

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Financial Analysis of the Government's Funds (continued)

2. Proprietary Funds (continued)

Other factors concerning the finances of these five funds have already been addressed in the discussion of the City of Midland's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an increase in appropriations of \$7.9 million and can be briefly summarized, in millions of dollars, as follows:

- \$ 2,644 increases allocated to general government activities
- \$ (415) decreases allocated to development services
- \$ 3,048 increases allocated to engineering
- \$ (10) decreases allocated to community services
- \$ 672 increases allocated to the police department
- \$ 1,958 increases allocated to the fire department
- \$ 18 increases allocated to other

General fund in total had personnel budget increases of \$1.3 million, the net of increases to overtime and budget reductions in various departments related to open positions. General government increased budgets \$3.2 million in multi-year projects. Decreases in development services were related to both open positions and contractual services. Engineering had an increase due to an additional \$3.9 million for mill and overlay. The increase of \$0.7 million in the police department is attributable in part to \$0.9 million additional personnel costs and \$0.4 million for various grant-related projects. Reduced costs for lodging prisoners (\$0.5 million), which were not estimable at September 30 due to changes in the contract with Midland County and in hire of equipment (\$0.1 million) also had an impact. The fire department had increased personnel costs of \$1.7 million, as well as additional hire of equipment and supply costs. There were also reallocations of original budget amounts among the various activities, including minor capital projects that had a zero dollar net effect.

With the adjustments made during Fiscal Year 2013, the actual-on-a-budgetary-basis expenditures were \$97.5 million, \$82.1 million in Fiscal Year 2012, compared to the re-estimated budget amount of \$97.6 million, \$82.1 million in Fiscal Year 2012.

The City of Midland has an actual-on-a-budgetary-basis General Fund balance of \$58.9 million as of the fiscal year-end (\$58.7 million in Fiscal Year 2012), compared with the re-estimated budget fund balance of \$51.1 million (\$48.8 million in Fiscal Year 2012). The variance in the fund balance is due to the fact that the City of Midland does not adjust budget estimates for revenue items.

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Capital Assets and Debt Administration

Capital Assets

The City of Midland's investment in capital assets for its governmental and business type activities as of September 30, 2013, amounts to \$609.3 million (net of accumulated depreciation), \$373.9 million (net of accumulated depreciation) at September 30, 2012. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads and highways, water lines, and drainage improvements.

Table 4
Capital Assets at September 30, 2013
(Net of Depreciation, in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 6,269	\$ 4,852	\$ 13,231	\$ 9,582	\$ 19,500	\$ 14,434
Buildings	18,447	16,516	33,726	34,979	52,173	51,495
Improvements other than buildings	6,407	6,252	44,489	46,231	50,896	52,483
Machinery and equipment	19,173	17,168	3,747	4,180	22,920	21,348
Infrastructure	57,860	41,757	391,232	151,450	449,092	193,207
Intangible and other	1,521	2,540	1,365	1,633	2,886	4,173
Construction in progress	1,376	6,503	10,453	30,306	11,829	36,809
Totals	<u>\$ 111,053</u>	<u>\$ 95,588</u>	<u>\$ 498,243</u>	<u>\$ 278,361</u>	<u>\$ 609,296</u>	<u>\$ 373,949</u>

Major capital assets events during the current fiscal year included the following:

Engineering – The Jal Draw Channel Rehabilitation project began during 2010. The project was completed in September 2013. The project lined and stabilized the slopes to prevent deterioration of the channel through erosion.

The Lamesa Road Traffic Signal Replacement project completed two signalized intersections, one at Lamesa Road and Cuthbert and one at Lamesa Road and Golf Course in fiscal year 2013.

Community Services – The I-20 Wildlife Preserve Pavilion and Restrooms project was completed in April 2013.

I-20 Wildlife Preserve was completed at the beginning of 2013 with an estimated cost of \$2.0 million.

Utilities – Upgrades to the Water Purification Plant continue and were substantially complete by the end of fiscal year 2013. The project upgraded the basins and raw water facilities at a cost of \$7.5 million.

The City is constructing a water reclamation facility was substantially complete by the end of fiscal year 2013. The facility will provide reclaimed water to Midland College, the City's largest irrigation user. The estimated cost of this project is \$6.5 million.

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Capital Assets and Debt Administration (continued)

Capital Assets (continued)

The T-bar well field was completed June 2013; this was to provide water to Midland due to the extreme drought conditions.

The Airport and Paul Davis Well Improvement project was complete with an approximate cost of \$5.1 million

Airport Projects – The Taxiway Systems Rehabilitation project was complete during the summer of 2013 with an approximate cost of \$4.2 million.

The Northwest Extension Project, the Executive Apron Reconstruction project and the Executive Apron Reconstruction Area B projects were all substantially complete in 2013 at an approximate total cost of \$9.2 million.

Long-Term Debt

At the end of the current fiscal year, the City of Midland had total general obligation debt outstanding of \$320.1 million. Of this amount, \$35.4 million is general government debt, \$35.2 million supported through the interest and sinking fund levy on property taxes and \$0.2 million supported by Water and Sewer system revenues. Business-type activity debt is supported by Water and Sewer system revenues, \$260.6 million, Golf Course revenues, \$0.1 million, a combination of Airport revenues and Airport passenger facility charges, \$4.6 million, and a contract with the Midland Football/Soccer and Baseball Development Corporation, \$19.3 million.

Table 5
General Obligation Debt, at Year-end
(in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Certificates of Obligation serviced by tax revenues	\$ 35,212	\$ 38,042	\$ -	\$ -	\$ 35,212	\$ 38,042
Notes Payable	195	285	-	-	195	285
Certificates of Obligation serviced by Enterprise Funds revenues	-	-	63,316	65,223	63,316	65,223
General Obligation Bonds serviced by Enterprise Funds revenues	-	-	24,037	27,247	24,037	27,247
Revenue Bonds	-	-	-	10,955	-	10,955
Capital Lease Obligation	-	-	197,320	-	197,320	-
	<u>\$ 35,407</u>	<u>\$ 38,327</u>	<u>\$ 284,673</u>	<u>\$ 103,425</u>	<u>\$ 320,080</u>	<u>\$ 141,752</u>

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Capital Asset and Debt Administration (continued)

Long-Term Debt (continued)

The City of Midland's general obligation debt increased by \$178.3 million during the current fiscal year due to a \$197.3 million capital lease contract with Midland County Freshwater District. Debt serviced by tax revenues decreased by \$2.9 million and debt serviced by Enterprise Fund revenues decreased by \$16.1 million.

The City maintains Aa1 rating with Moody's Investment Service and AA+ rating with Standard & Poor's on tax-supported debt.

The City of Midland carefully plans debt acquisition to fund only capital replacement and new construction. This process includes matching the maturity of the debt to the useful lives of the assets to be funded, as closely as possible. This allows for the use of debt to compliment operations by allowing for matching the cash flows of asset cost to the period deriving the benefit from the asset.

Additionally, this allows the City to plan for and structure debt payments in such a manner that debt service tends to be generally declining across the years creating a known, decreasing demand upon resources for debt service and limiting the demand upon resources to a managed level. As a result of the development and refinement of this process, the impact of current debt upon present and future operations is minimized and annual operations can be based upon a known level of expendable, available resources to respond to the immediate needs of the City.

The Constitution and Statutes of the State of Texas and the Charter of the City of Midland do not provide for a legal debt limit. However, the 8% debt limit rate used to calculate debt margin of \$501.2 million has been adopted by the City Council as a safe debt limit.

Additional information concerning the City's long-term debt may be found in note #9 in the Notes to Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The budgetary process for Fiscal Year 2014 focused on the allocation of limited resources to maintenance of the current level of City services. The combined property tax rate was increased to 43.1927 cents per \$100 valuation, compared with a rate of 46.1088 in Fiscal Year 2013. The budget presented for all City operations for the 2014 fiscal year totals \$221.8 million. This is a 3.16% decrease from the Fiscal Year 2013 budget of \$229 million.

The Fiscal Year 2014 operating budget is supported by combined revenues of \$205.4 million, up \$17.9 million from budgeted Fiscal Year 2013. Sales tax revenue and water and sewer revenue reflect the largest amount of increase over fiscal year 2013, at \$3.8 million and \$3 million, respectively. Other major components of this increase include \$2.3 million in property tax revenue and \$2.5 million increase in hotel/motel, with anticipated higher occupancy rates and

CITY OF MIDLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2013
(Unaudited)

Economic Factors And Next Year's Budgets and Rates (continued)

the addition of new hotels. The Sanitation revenue increased by \$1.6 million because of an increase in rates and an expanding service area.

Total General Fund revenues for Fiscal Year 2014 are budgeted at \$99.2 million, an increase of \$8.6 million from budgeted Fiscal Year 2013 revenues. Factors impacting the budget include increases of \$3.8 million in sales tax revenue and \$2.6 million in property tax revenue.

The increase in budgeted sales tax revenue is driven by numerous economic conditions. These receipts were up in accordance with a growing economy in Fiscal Year 2013. The growth of new businesses in the City and an increasing population also generated a positive influence. The increased collections from property taxes are the result of a larger property tax base offset by a decrease in the maintenance and operations property tax rate to 38.5719 cents per \$100 valuation, compared with a rate of 40.4049 in Fiscal Year 2013. Gross receipts taxes are calculated as a percentage of revenue for various utilities. As the revenues increase or decrease, so do the associated franchise fees.

The expenditures budget for the General Fund is \$99.2 million. This yields a balanced budget for the 2014 fiscal year. The General Fund Unappropriated Fund Balance at its current level in relation to expenditures is essential for bond ratings, self-insurance considerations, disaster recovery and major economic or regulatory changes.

The Water and Sewer Fund revenues are estimated to increase by 6.29% from budgeted 2012 – 2013 revenues. This increase is based upon consideration of several factors, including a return to a more normal water consumption pattern together with T-Bar well field scheduled to come on line by June 1 2013, both increasing the amount of water available to sell. Annual water and sewer revenues do not provide adequate cash flow for the fund. Also, this fund is required by debt covenants to maintain a net revenue to debt ratio of 1.5. The current rate structure should provide adequate revenues to meet this requirement.

Water and Sewer Fund expenses are budgeted to decrease \$964,185, 1.52%, from the previous fiscal year. The largest single component of this decrease is in interfund transfers, partially offset by an increase in contractual services. In addition, the cost of water delivery to the City is expected to increase \$1.7 million.

Sanitation Fund revenues are estimated to increase by 13.7% during fiscal year 2013-2014. This increase is based upon consideration of several factors, including increased customer numbers and a 48.8% increase in landfill charges. Revenues generated should provide adequate cash flow to meet the operating needs of the fund and provide for small capital expenditures.

Expenses of this fund are budgeted to decrease 28.3% from the previous year. The largest component of the decrease is related to completion of a \$5.8 million landfill cell during fiscal year 2013, offset partially by an increase of \$0.6 million in hire of equipment is related to increased fuel costs and the acquisition of new equipment. A portion of the landfill costs result

CITY OF MIDLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2013
(Unaudited)

Economic Factors and Next Year's Budgets and Rates (continued)

from unfunded, federally mandated regulations and are mainly reflected in depreciation of capitalized costs and landfill closure costs.

The Voluntary Litter Abatement Contributions program established by the City to assist with litter abatement was converted to a mandatory charge through their utility bills in fiscal year 2014. Expenses of \$343,605 are budgeted for this program.

Golf Course revenues are budgeted at \$2.4 million, reflecting a 1.2% increase compared to fiscal year 2013 budgeted revenues. The operation of the pro shop, which was contracted out prior to 2009, is a major source of this increase combined with amended fees and charges that were passed by ordinance, February 28, 2012.

The Golf Course Player Facility Charge (GPFC) is currently \$3.75 per round. One dollar of this amount is being used to assist with debt service costs associated with construction of the additional nine holes and expansion of other golf course facilities. The remaining \$2.75 is being used to pay for costs associated with a new irrigation system and other course improvements of \$2.1 million. The GPFC revenue is not available for general golf course operations and is not reflected in the revenue estimates.

Budgeted Airport Fund revenues reflect a \$0.3 million increase, with an increase in rentals and parking lot revenue. Airport Passenger Facility Charge revenues to be used in capital construction projects and the repayment of a major portion of the debt issued for construction of the new terminal building at the airport are not included in this total due to use restrictions.

Budgeted Airport expenses are expected to decrease \$0.4 million or 3.5% mainly due to depreciation expense. A reimbursement of \$1.5 million was budgeted to the General Fund for the cost of Fire and Police personnel assigned to the Airport, as well as other administrative costs. This charge was based upon a cost allocation study prepared by DMG Maximus in accordance with Office of Management and Budget Circular A-87 (OMB A-87).

The Scharbauer Sports Complex Fund was established to account for all facets of the operations of the Scharbauer Sports Complex. Fiscal Year 2014 revenues of \$3.8 million are budgeted to cover expenses of \$5.6 million, after consideration of \$1.8 in depreciation expense.

Request for Information

This financial report is designed to provide a general overview of the City of Midland's finances for all those with an interest in the government's finances. Questions concerning information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Midland, P.O. Box 1152, 300 N. Loraine, Midland, TX 79702-1152.

CITY OF MIDLAND, TEXAS
Statement of Net Position
September 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Sports Complex Development	Midland Development Corporation
ASSETS					
Cash and cash equivalents	\$ 40,753,901	\$ 52,065,709	\$ 92,819,610	\$ -	\$ 24,108,925
Investments	42,878,804	33,910,250	76,789,054	-	-
Receivables (net of allowance for uncollectibles)	11,839,552	8,196,111	20,035,663	1,731,003	1,731,003
Interest receivable	90,690	90,874	181,564	-	-
Due from component unit	-	1,731,003	1,731,003	-	-
Due from primary government	-	-	-	-	8,750,000
Internal balances	(1,202,053)	1,202,053	-	-	-
Inventories	392,353	399,128	791,481	-	-
Prepaid items and other assets	96,359	20,618	116,977	-	-
Notes receivable	-	201,732	201,732	-	7,949,500
Deferred charges	318,423	737,570	1,055,993	-	-
Investment in joint venture	16,018	-	16,018	-	-
Restricted assets:					
Cash and cash equivalents	24,249,983	12,859,942	37,109,925	-	-
Investments	6,612,601	3,126,446	9,739,047	-	-
Interest receivable	16,321	1,589	17,910	-	-
Accounts receivable	-	170,824	170,824	-	-
Capital assets not being depreciated:					
Land	6,268,547	13,231,206	19,499,753	-	4,693,032
Construction in progress	1,375,877	10,453,610	11,829,487	-	370,480
Capital assets net of accumulated depreciation:					
Buildings	18,447,361	33,725,665	52,173,026	-	1,032,013
Improvements other than buildings	6,406,544	44,488,587	50,895,131	-	318,122
Machinery and equipment	19,173,413	3,747,324	22,920,737	-	17,349
Infrastructure	57,860,391	391,232,093	449,092,484	-	408,048
Intangible and other	1,521,260	1,364,719	2,885,979	-	-
Total assets	237,116,345	612,957,053	850,073,398	1,731,003	49,378,472
LIABILITIES					
Accounts payable and other current liabilities	6,816,987	9,381,206	16,198,193	-	84,660
Customer deposits	-	2,890,258	2,890,258	-	-
Accrued interest payable	109,331	347,764	457,095	-	-
Due to primary government	-	-	-	1,731,003	-
Due to component unit	6,825,000	1,925,000	8,750,000	-	-
Unearned revenue	177,199	214,326	391,525	-	-
Liabilities payable from restricted assets	-	15,941	15,941	-	-
Noncurrent liabilities:					
Due within one year	8,313,711	6,130,689	14,444,400	-	15,000
Due in more than one year	55,280,931	295,357,542	350,638,473	-	14,811
Total liabilities	77,523,159	316,262,726	393,785,885	1,731,003	114,471
NET POSITION					
Net investment in capital assets	95,068,376	216,897,238	311,965,614	-	6,839,044
Restricted for:					
Debt service	370,267	3,560,568	3,930,835	-	-
Special revenue	12,174,101	-	12,174,101	-	-
Other purposes	209,747	4,912,079	5,121,826	-	32,786,500
Unrestricted	51,770,695	71,324,442	123,095,137	-	9,638,457
Total net position	\$ 159,593,186	\$ 296,694,327	\$ 456,287,513	\$ -	\$ 49,264,001

The notes to the basic financial statements are an integral part of this statement.

CITY OF MIDLAND, TEXAS
Statement of Activities
For the Year Ended September 30, 2013

					Net (Expense) Revenue and Changes in Net Position				
Program Revenues					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Sports Complex Development	Midland Development Corporation
Primary government:									
Governmental activities:									
General government:									
Administration	\$ 1,702,976	\$ 289,501	\$ -	\$ -	\$ (1,413,475)	\$ -	\$ (1,413,475)	\$ -	\$ -
Support services	13,414,652	296,624	-	-	(13,118,028)	-	(13,118,028)	-	-
Fiscal management	2,307,211	(2,237)	-	-	(2,309,448)	-	(2,309,448)	-	-
Other	5,220,221	288,919	-	-	(4,931,302)	-	(4,931,302)	-	-
Development services	3,833,749	3,940,368	1,103,412	286,462	1,496,493	-	1,496,493	-	-
Engineering	12,321,739	42,250	251,650	8,021,918	(4,005,921)	-	(4,005,921)	-	-
Community services	11,396,863	833,761	369,832	41,149	(10,152,121)	-	(10,152,121)	-	-
Police	25,827,854	4,278,076	389,801	65,908	(21,094,069)	-	(21,094,069)	-	-
Fire	24,515,017	2,001,975	48,492	116,795	(22,347,755)	-	(22,347,755)	-	-
Interest on long-term debt	1,271,789	-	-	-	(1,271,789)	-	(1,271,789)	-	-
Total governmental activities	101,812,071	11,969,237	2,163,187	8,532,232	(79,147,415)	-	(79,147,415)	-	-
Business-type activities:									
Airport	9,367,054	9,330,268	35,714	4,168,760	-	4,167,688	4,167,688	-	-
Water and sewer	48,133,600	46,284,531	-	3,781,741	-	1,932,672	1,932,672	-	-
Sanitation	11,310,111	14,311,367	26,843	-	-	3,028,099	3,028,099	-	-
Sports complex	4,364,030	10,576,709	-	-	-	6,212,679	6,212,679	-	-
Golf course	2,204,091	2,604,131	-	-	-	400,040	400,040	-	-
Total business-type activities	75,378,886	83,107,006	62,557	7,950,501	-	15,741,178	15,741,178	-	-
Total primary government	\$ 177,190,957	\$ 95,076,243	\$ 2,225,744	\$ 16,482,733	(79,147,415)	15,741,178	(63,406,237)	-	-
Component units:									
Sports Complex Development Corporation	\$ 9,765,719	\$ -	\$ 4,100	\$ -	-	-	-	(9,761,619)	-
Midland Economic Development Corporation	2,059,193	-	-	-	-	-	-	-	(2,059,193)
Total component units	\$ 11,824,912	\$ -	\$ 4,100	\$ -	-	-	-	(9,761,619)	(2,059,193)
General revenues:									
Property taxes					36,441,787	-	36,441,787	-	-
Sales taxes					39,046,477	-	39,046,477	9,761,619	9,761,619
Gross receipts taxes					11,427,175	-	11,427,175	-	-
Hotel-motel taxes					5,768,762	-	5,768,762	-	-
Other taxes					570,975	-	570,975	-	-
Unrestricted investment earnings					(1,087,789)	(773,141)	(1,860,930)	-	23,973
Miscellaneous					85,365	-	85,365	-	138,703
Transfers					4,079,247	(4,079,247)	-	-	-
Total general revenues and transfers					96,331,999	(4,852,388)	91,479,611	9,761,619	9,924,295
Change in net position					17,184,584	10,888,790	28,073,374	-	7,865,102
Net position – beginning					142,408,602	285,805,537	428,214,139	-	41,398,899
Net position – ending					\$ 159,593,186	\$ 296,694,327	\$ 456,287,513	\$ -	\$ 49,264,001

The notes to the basic financial statements are an integral part of this statement.

CITY OF MIDLAND, TEXAS
Balance Sheet
Governmental Funds
September 30, 2013

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 29,556,162	\$ 222,171	\$ 27,229,014	\$ 57,007,347
Investments	32,640,262	244,333	9,305,353	42,189,948
Receivables (net of allowance for uncollectibles):				
Interest receivable	83,822	966	22,223	107,011
Property taxes	560,314	105,793	337,427	1,003,534
Sales taxes	6,924,011	-	-	6,924,011
Accounts receivable	2,223,598	3,296	1,127,254	3,354,148
Assessments receivable	511,617	-	-	511,617
Intergovernmental receivable	144,870	-	83,956	228,826
Prepaid items and other assets	76,359	-	-	76,359
Due from other funds	69,194	-	-	69,194
Advances to other funds	843,047	-	-	843,047
Total assets	\$ 73,633,256	\$ 576,559	\$ 38,105,227	\$ 112,315,042
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,483,849	\$ -	\$ 175,707	\$ 1,659,556
Accrued payroll	2,654,215	-	-	2,654,215
Retainage payable	264,588	-	32,207	296,795
Due to other funds	-	-	10,634	10,634
Due to component unit	6,825,000	-	-	6,825,000
Deferred revenue	2,404,525	96,961	1,000,325	3,501,811
Unearned revenue	145,548	-	31,651	177,199
Other liabilities	995,028	-	256	995,284
Total liabilities	14,772,753	96,961	1,250,780	16,120,494
Fund balances:				
Nonspendable:				
Prepayments	76,359	-	-	76,359
Advances	843,047	-	-	843,047
Restricted for:				
Debt service	-	479,598	-	479,598
Public safety	39,920	-	567,944	607,864
Court	169,827	-	722,304	892,131
Communications	-	-	3,508,930	3,508,930
Downtown	-	-	645,499	645,499
Buildings and renovations	-	-	7,181,818	7,181,818
Streets and drainage	-	-	7,547,145	7,547,145
Parks and recreation	-	-	1,430,161	1,430,161
Other purposes	-	-	8,768,064	8,768,064
Committed to:				
Buildings and renovations	683,593	-	216,271	899,864
Streets and drainage	9,452,209	-	2,568,469	12,020,678
Parks and recreation	161,242	-	-	161,242
Public safety	851,975	-	-	851,975
Technology	636,593	-	-	636,593
Traffic	1,240,035	-	-	1,240,035
Other Purposes	328,052	-	3,697,842	4,025,894
Assigned to:				
Streets and drainage	79,102	-	-	79,102
Unassigned:				
General fund	44,298,549	-	-	44,298,549
Total fund balances	58,860,503	479,598	36,854,447	96,194,548
Total liabilities and fund balances	\$ 73,633,256	\$ 576,559	\$ 38,105,227	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	93,181,438
The City has an equity interest in a joint venture. This investment is not a current financial resource and, therefore, is not reported in the funds.	16,018
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,570,234
Internal service funds are used by management to charge the costs of fleet management and self-insurance costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position (net of amount allocated to business-type activities of \$4,359,235)	
Cash	\$ 7,996,537
Investments	7,301,457
Receivables	67,416
Capital assets net of depreciation	17,871,955
Internal balances	(2,103,660)
Other assets	412,353
Current liabilities	(1,211,138)
Noncurrent liabilities	(3,829,239)
	26,505,681
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(59,874,733)
Net position of governmental activities	\$ 159,593,186

The notes to the financial statements are an integral part of this statement.

CITY OF MIDLAND, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				
Property	\$ 31,027,659	\$ 4,387,013	\$ 1,035,474	\$ 36,450,146
Sales	39,046,477	-	-	39,046,477
Gross receipts	11,427,175	-	-	11,427,175
Mixed beverage	439,907	-	-	439,907
Hotel-motel	-	-	5,768,762	5,768,762
Miscellaneous	131,068	-	-	131,068
Licenses and permits	3,142,106	-	1,134,748	4,276,854
Fines and forfeitures	3,891,789	-	-	3,891,789
Charges for services	2,564,362	-	-	2,564,362
Rentals	17,344	-	285,421	302,765
Assessments	-	-	133,202	133,202
Intergovernmental	782,449	-	1,260,917	2,043,366
Investment earnings:				
Interest income	517,556	9,480	165,201	692,237
Net decrease in the fair value of investments	(1,413,618)	(18,662)	(314,011)	(1,746,291)
Contributions and donations	625,989	-	-	625,989
Miscellaneous	461,836	-	302,526	764,362
Total revenues	<u>92,662,099</u>	<u>4,377,831</u>	<u>9,772,240</u>	<u>106,812,170</u>
EXPENDITURES				
Current:				
General government:				
Administration	1,478,038	-	-	1,478,038
Support services	15,767,979	-	-	15,767,979
Fiscal management	2,205,458	-	-	2,205,458
Development services	2,618,009	-	-	2,618,009
Engineering	15,188,449	-	-	15,188,449
Community services	10,018,185	-	-	10,018,185
Police	24,538,644	-	-	24,538,644
Fire	22,905,985	-	-	22,905,985
Other	2,585,876	-	3,818,253	6,404,129
Debt service:				
Principal	-	2,818,125	-	2,818,125
Interest	-	1,600,143	-	1,600,143
Debt issuance costs	-	-	-	-
Paying agents' fees	-	1,293	-	1,293
Capital outlay	-	-	3,602,650	3,602,650
Total expenditures	<u>97,306,623</u>	<u>4,419,561</u>	<u>7,420,903</u>	<u>109,147,087</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,644,524)</u>	<u>(41,730)</u>	<u>2,351,337</u>	<u>(2,334,917)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	350,000	-	-	350,000
Transfers in	5,043,341	107,584	-	5,150,925
Transfers out	(565,834)	-	(26,813)	(592,647)
Total other financing sources (uses)	<u>4,827,507</u>	<u>107,584</u>	<u>(26,813)</u>	<u>4,908,278</u>
Net change in fund balances	182,983	65,854	2,324,524	2,573,361
Fund balances – beginning	58,677,520	413,744	34,529,923	93,621,187
Fund balances – ending	<u>\$ 58,860,503</u>	<u>\$ 479,598</u>	<u>\$ 36,854,447</u>	<u>\$ 96,194,548</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MIDLAND, TEXAS
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2013

Amounts reported for governmental activities in the statement of activities (page 30) are different because:

Net change in fund balances—total governmental funds (page 32)	\$ 2,573,361
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	7,662,039
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	7,818,657
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (i.e., deferred revenues and earned but unavailable revenues).	90,554
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,818,125
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(3,702,257)
Internal service funds are used by management to charge the costs of the garage, warehouse and three self-insurance funds to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(75,895)</u>
Change in net position of governmental activities (page 30)	\$ <u>17,184,584</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MIDLAND, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2013

	Business-Type Activities—Enterprise Funds						Governmental Activities— Internal Service Funds
	Airport Fund	Water and Sewer Fund	Sanitation Fund	Scharbauer Sports Complex Fund	Nonmajor Fund	Totals	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 2,565,828	\$ 19,479,206	\$ 6,504,056	\$ 22,177,516	\$ 1,145,366	\$ 51,871,972	\$ 8,190,274
Investments	2,583,387	22,192,410	7,192,049	515,981	1,220,879	33,704,706	7,507,001
Interest receivable	7,006	60,585	17,528	2,129	3,191	90,439	16,538
Accounts receivable (net of allowance for uncollectibles)	51,541	7,316,292	773,908	31,529	22,841	8,196,111	51,313
Notes receivable	-	-	-	-	-	-	141,000
Inventories	-	-	-	-	209,049	209,049	582,432
Prepaid items and other assets	-	19,997	621	-	-	20,618	20,000
Due from component unit	-	-	-	1,731,003	-	1,731,003	-
Restricted assets:							
Passenger Facility Charge:		-	-	-	-	-	
Cash and cash equivalents	4,663,239	-	-	-	-	4,663,239	
Investments	93,729	-	-	-	-	93,729	
Interest Receivable	229	-	-	-	-	229	
Accounts Receivable	170,824	-	-	-	-	170,824	
Customer deposits:							
Cash and cash equivalents		1,376,465	-	-	-	1,376,465	-
Investments		1,513,773	-	-	-	1,513,773	-
Bond construction fund:							
Cash and cash equivalents	258,908	4,436,816	-	8,770	-	4,704,494	-
Investments	56,021	16,946	-	1,153	-	74,120	-
Interest receivable	4	-	-	-	-	4	-
Bond debt service:							
Cash and cash equivalents	485,640	884,012	-	729,438	16,654	2,115,744	-
Investments	383,856	522,961	-	520,600	17,407	1,444,824	-
Interest receivable	-	-	-	1,356	-	1,356	-
Total current assets	<u>11,320,212</u>	<u>57,819,463</u>	<u>14,488,162</u>	<u>25,719,475</u>	<u>2,635,387</u>	<u>111,982,699</u>	<u>16,508,558</u>
Noncurrent assets:							
Capital assets:							
Land	1,571,906	12,149,118	-	227,240	-	13,948,264	45,541
Buildings	51,297,050	1,426,033	283,543	167,501	441,375	53,615,502	1,816,924
Improvements other than buildings	5,780,389	15,284,220	14,343,295	46,519,310	4,460,640	86,387,854	846,955
Infrastructure	86,748,485	423,480,773	-	-	-	510,229,258	-
Machinery and equipment	5,455,000	2,752,559	365,079	2,561,028	6,272	11,139,938	45,819,910
Intangible and Other	996,072	2,281,741	119,969	-	16,372	3,414,154	4,704,414
Construction in progress	1,093,583	3,029,749	5,781,102	549,176	-	10,453,610	236,984
Less accumulated depreciation	<u>(73,312,675)</u>	<u>(81,712,785)</u>	<u>(13,984,850)</u>	<u>(19,426,360)</u>	<u>(3,031,776)</u>	<u>(191,468,446)</u>	<u>(35,075,703)</u>
Total capital assets (net of accumulated depreciation)	<u>79,629,810</u>	<u>378,691,408</u>	<u>6,908,138</u>	<u>30,597,895</u>	<u>1,892,883</u>	<u>497,720,134</u>	<u>18,395,025</u>
Other noncurrent assets:							
Notes receivable	-	201,732	-	-	-	201,732	1,082,647
Debt origination fees	16,656	585,922	-	134,116	876	737,570	-
Total noncurrent assets	<u>79,646,466</u>	<u>379,479,062</u>	<u>6,908,138</u>	<u>30,732,011</u>	<u>1,893,759</u>	<u>498,659,436</u>	<u>19,477,672</u>
Total assets	<u>90,966,678</u>	<u>437,298,525</u>	<u>21,396,300</u>	<u>56,451,486</u>	<u>4,529,146</u>	<u>610,642,135</u>	<u>35,986,230</u>

LIABILITIES

Current liabilities:

Accounts payable	276,553	3,418,393	2,984,255	133,417	141,202	6,953,820	1,156,392
Accrued payroll	99,397	261,147	144,670	-	28,151	533,365	93,734
Retainage payable	153,982	1,075,909	262,030	25,932	-	1,517,853	-
Due to other funds	58,560	-	-	-	-	58,560	-
Due to component unit	-	1,925,000	-	-	-	1,925,000	-
Customer deposits	-	2,890,258	-	-	-	2,890,258	-
Revenue bonds payable							
from unrestricted assets	-	-	-	-	-	-	-
General obligation bonds payable							
from unrestricted assets	608,333	-	-	837,500	24,103	1,469,936	-
Deferred amount on refunding	(802)	148,730	-	(141,126)	606	7,408	-
Certificates of obligation payable							
from unrestricted assets	-	978,750	-	-	-	978,750	-
Notes payable	-	-	-	-	141,000	141,000	-
Compensated absences	140,372	187,830	78,895	-	45,137	452,234	80,539
Estimated unpaid claims	-	-	-	-	-	-	1,207,798
Unearned revenue	-	25,800	62,921	25,000	100,605	214,326	-
Other liabilities	5,310	234,158	98,319	-	(2,687)	335,100	2,080

Current liabilities payable from

restricted assets:

Accrued interest payable	17,829	250,723	-	78,894	318	347,764	-
Passenger Facility Improvement payable	15,941	-	-	-	-	15,941	-
General obligation bonds payable	851,667	-	-	1,172,500	33,743	2,057,910	-
Certificates of obligation payable	-	1,156,250	-	-	-	1,156,250	-
Total current liabilities	<u>2,227,142</u>	<u>12,552,948</u>	<u>3,631,090</u>	<u>2,132,117</u>	<u>512,178</u>	<u>21,055,475</u>	<u>2,540,543</u>

Noncurrent liabilities:

Revenue bonds payable	-	-	-	-	-	-	-
General obligation bonds payable	3,140,000	-	-	17,945,000	69,415	21,154,415	-
Deferred amount on refunding	(575)	1,817,222	-	(504,034)	431	1,313,044	-
Certificates of obligation payable	-	59,215,000	-	-	-	59,215,000	-
Capital lease obligations payable	-	197,320,677	-	-	-	197,320,677	-
Compensated absences	64,726	88,958	22,587	-	27,423	203,694	50,166
Other postemployment benefits payable	638,679	1,793,365	965,539	-	197,164	3,594,747	672,725
Estimated unpaid claims	-	-	-	-	-	-	1,857,880
Notes payable	-	-	-	-	1,082,647	1,082,647	-
Advances from other funds	-	-	-	-	843,047	843,047	-
Landfill closure/postclosure care	-	-	12,524,297	-	-	12,524,297	-
Total noncurrent liabilities	<u>3,842,830</u>	<u>260,235,222</u>	<u>13,512,423</u>	<u>17,440,966</u>	<u>2,220,127</u>	<u>297,251,568</u>	<u>2,580,771</u>
Total liabilities	<u>6,069,972</u>	<u>272,788,170</u>	<u>17,143,513</u>	<u>19,573,083</u>	<u>2,732,305</u>	<u>318,307,043</u>	<u>5,121,314</u>

NET POSITION

Net investment in capital assets	75,140,601	121,134,569	6,908,138	11,297,977	1,764,585	216,245,870	19,619,192
Restricted for passenger facility improvements	4,912,079	-	-	-	-	4,912,079	-
Restricted for debt service	869,496	1,406,973	-	1,250,038	34,061	3,560,568	-
Unrestricted	<u>3,974,530</u>	<u>41,968,813</u>	<u>(2,655,351)</u>	<u>24,330,388</u>	<u>(1,805)</u>	<u>67,616,575</u>	<u>11,245,724</u>
Total net position	<u>\$ 84,896,706</u>	<u>\$ 164,510,355</u>	<u>\$ 4,252,787</u>	<u>\$ 36,878,403</u>	<u>\$ 1,796,841</u>	<u>292,335,092</u>	<u>\$ 30,864,916</u>

Reconciliation to government-wide statement of net position:

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.

4,359,235

Net position of business-type activities

\$ 296,694,327

The notes to the basic financial statements are an integral part of this statement.

CITY OF MIDLAND, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2013

Business-Type Activities—Enterprise Funds							Governmental Activities— Internal Service Funds
	Airport Fund	Water and Sewer Fund	Sanitation Fund	Scharbauer Sports Complex Fund	Nonmajor Fund	Totals	
Operating revenues:							
International Airport parking revenues	\$ 2,417,005	\$ -	\$ -	\$ -	\$ -	\$ 2,417,005	\$ -
International Airport building rentals	3,411,902	-	-	-	-	3,411,902	-
International Airport aviation rentals	235,853	-	-	-	-	235,853	-
International Airport landing fees	464,970	-	-	-	-	464,970	-
International Airport commercial rentals	188,032	-	-	-	-	188,032	-
International Airport fuel and oil commissions	96,250	-	-	-	-	96,250	-
Airpark rentals	138,837	-	-	-	-	138,837	-
Airpark fuel and oil commissions	20,602	-	-	-	-	20,602	-
Water sales	-	33,976,375	-	-	-	33,976,375	-
Sewer charges	-	10,482,328	-	-	-	10,482,328	-
Tap installations and service charges	-	379,100	-	-	-	379,100	-
Garbage collection fees	-	-	14,145,776	-	-	14,145,776	-
Penalties	-	420,832	98,684	-	-	519,516	-
Course usage fees	-	-	-	-	919,645	919,645	-
Golf cart fees	-	-	-	-	605,700	605,700	-
Pro shop rentals	-	-	-	-	12,522	12,522	-
Pro shop sales	-	-	-	-	739,774	739,774	-
Tournament fees	-	-	-	-	20,947	20,947	-
Snack bar concession rentals	-	-	-	-	52,872	52,872	-
Football-soccer stadium	-	-	-	415,323	-	415,323	-
Baseball stadium	-	-	-	357,667	-	357,667	-
Common areas	-	-	-	51,075	-	51,075	-
Billings to other funds	-	-	-	-	-	-	11,160,175
Motor vehicle repair billings	-	-	-	-	-	-	5,037,243
Motor vehicle lease charges	-	-	-	-	-	-	5,047,294
Equipment lease—other	-	-	-	-	-	-	924,388
Charges for fuel	-	-	-	-	-	-	2,744,786
Employee payments	-	-	-	-	-	-	2,100,462
Miscellaneous	94,199	285,533	-	-	-	379,732	-
Total operating revenues	<u>7,067,650</u>	<u>45,544,168</u>	<u>14,244,460</u>	<u>824,065</u>	<u>2,351,460</u>	<u>70,031,803</u>	<u>27,014,348</u>
Operating expenses:							
Cost of goods sold	-	-	-	-	513,763	513,763	1,611,322
Salaries and fringe benefits	2,147,271	5,830,211	3,401,706	-	662,203	12,041,391	2,191,359
Contractual services	1,976,765	24,630,222	5,587,525	793,720	663,501	33,651,733	4,692,240
Maintenance of structure	113,984	438,788	10,832	382,757	72,093	1,018,454	11,044
Maintenance of equipment	25,890	456,659	5,256	51,965	9,409	549,179	1,759,028
Payment of claims	-	-	-	-	-	-	8,492,789
Franchise fees	-	2,692,772	464,130	-	-	3,156,902	-
Depreciation	4,609,999	6,830,224	731,542	1,785,944	204,029	14,161,738	4,057,389
Closure and postclosure care	-	-	971,108	-	-	971,108	-
Supplies	71,976	1,581,354	426,990	104,159	90,218	2,274,697	3,457,508
Other expenses	155,011	40,084	166,538	67,992	-	429,625	54,248
Total operating expenses	<u>9,100,896</u>	<u>42,500,314</u>	<u>11,765,627</u>	<u>3,186,537</u>	<u>2,215,216</u>	<u>68,768,590</u>	<u>26,326,927</u>
Operating income (loss)	<u>(2,033,246)</u>	<u>3,043,854</u>	<u>2,478,833</u>	<u>(2,362,472)</u>	<u>136,244</u>	<u>1,263,213</u>	<u>687,421</u>

Nonoperating revenues (expenses):

Investment income:							
Interest income	45,369	457,445	99,143	42,267	16,495	660,719	136,055
Net decrease in the fair value of investments	(94,139)	(974,978)	(272,308)	(66,138)	(45,892)	(1,453,455)	(251,373)
Interest expense	(258,092)	(5,641,694)	-	(1,176,173)	(46,132)	(7,122,091)	-
Rentals	-	180,691	-	-	-	180,691	-
Water royalties	50,731	-	-	-	-	50,731	-
Intergovernmental grants	35,714	-	49	-	-	35,763	-
Gain on sale of capital assets	-	-	-	-	-	-	-
Recoveries of damages to City property	-	-	-	-	-	-	105,153
Passenger facility charge revenues	2,028,866	-	-	-	-	2,028,866	-
Player facility charge revenues	-	-	-	-	246,236	246,236	-
SCDC construction contract revenue	-	-	-	9,761,619	-	9,761,619	-
Litter abatement contributions	-	-	26,794	-	-	26,794	-
Other	186,275	555,552	66,907	12,600	8,298	829,632	234,698
Total nonoperating revenues	<u>1,994,724</u>	<u>(5,422,984)</u>	<u>(79,415)</u>	<u>8,574,175</u>	<u>179,005</u>	<u>5,245,505</u>	<u>224,533</u>
Income before contributions and transfers	<u>(38,522)</u>	<u>(2,379,130)</u>	<u>2,399,418</u>	<u>6,211,703</u>	<u>315,249</u>	<u>6,508,718</u>	<u>911,954</u>
Capital contributions	4,168,760	3,781,741	-	-	-	7,950,501	-
Transfers in	-	-	-	565,834	-	565,834	-
Transfers out	<u>(1,368,159)</u>	<u>(2,245,813)</u>	<u>(537,362)</u>	<u>(360,393)</u>	<u>(103,341)</u>	<u>(4,615,068)</u>	<u>(509,044)</u>
Change in net position	2,762,079	(843,202)	1,862,056	6,417,144	211,908	10,409,985	402,910
Total net position – beginning	<u>82,134,627</u> \$	<u>165,353,557</u> \$	<u>2,390,731</u> \$	<u>30,461,259</u> \$	<u>1,584,933</u>	\$	<u>30,462,006</u>
Total net position – ending	<u>\$ 84,896,706</u>	<u>\$ 164,510,355</u>	<u>\$ 4,252,787</u>	<u>\$ 36,878,403</u>	<u>\$ 1,796,841</u>		<u>\$ 30,864,916</u>

Reconciliation to government-wide statements of activities:

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.

478,805

Change in net position of business-type activities

\$ 10,888,790

The notes to the basic financial statements are an integral part of this statement.

CITY OF MIDLAND, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Year ended September 30, 2013

Business-Type Activities—Enterprise Funds

	Airport Fund	Water and Sewer Fund	Sanitation Fund	Scharbauer Sports Complex Fund	Nonmajor Fund	Total	Governmental Activities— Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from customers and users	\$ 8,509,982	\$ 44,298,129	\$ 14,061,895	\$ 825,393	\$ 2,350,311	\$ 70,045,710	\$ 2,437,408
Receipts from interfund services provided	50,731	-	-	-	-	50,731	25,083,548
Payments to suppliers	(3,142,511)	(29,774,045)	(3,964,790)	(1,278,862)	(1,331,872)	(39,492,080)	(20,830,201)
Payments to employees	(2,019,770)	(5,464,036)	(3,199,474)	-	(616,267)	(11,299,547)	(2,051,307)
Payments for interfund services used	(3,219)	(50,731)	-	-	-	(53,950)	-
Receipts from other operating revenues	186,275	736,243	66,907	12,600	8,298	1,010,323	-
Net cash provided (used) by operating activities	<u>3,581,488</u>	<u>9,745,560</u>	<u>6,964,538</u>	<u>(440,869)</u>	<u>410,470</u>	<u>20,261,187</u>	<u>4,639,448</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Grants and contributions	35,714	-	26,843	-	-	62,557	-
Transfers from other funds	-	-	-	565,834	-	565,834	-
Transfers to other funds	(1,368,159)	(2,245,813)	(537,362)	(360,393)	(103,341)	(4,615,068)	(509,044)
Advances from other funds	-	-	-	-	826	826	-
Net cash provided (used) by noncapital financing activities	<u>(1,332,445)</u>	<u>(2,245,813)</u>	<u>(510,519)</u>	<u>205,441</u>	<u>(102,515)</u>	<u>(3,985,851)</u>	<u>(509,044)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Loans from component units	-	1,000,000	-	-	-	1,000,000	-
Capital contributions	4,168,760	-	-	-	-	4,168,760	-
Acquisition and construction of capital assets	(6,212,269)	(19,692,652)	(5,696,345)	(1,900,992)	(29,271)	(33,531,529)	(4,054,639)
Principal paid on capital debt and notes payable	(1,390,000)	(12,720,000)	-	(1,910,000)	(66,875)	(16,086,875)	-
Repayment of loans to other funds	-	-	-	-	(137,285)	(137,285)	137,285
Repayment of loans to component unit	-	(6,000,000)	-	-	-	(6,000,000)	-
Interest and fees paid on capital debt and notes payable	(249,000)	(5,862,773)	-	(994,778)	(46,453)	(7,153,004)	-
Proceeds from sales of capital assets	-	321,775	-	-	-	321,775	63,189
Passenger facility charge revenues	2,028,866	-	-	-	-	2,028,866	-
Player facility charge revenues	-	-	-	-	246,236	246,236	-
SCDC contract revenue	-	-	-	9,582,104	-	9,582,104	-
Net cash provided (used) by capital and related financing activities	<u>(1,653,643)</u>	<u>(42,953,650)</u>	<u>(5,696,345)</u>	<u>4,776,334</u>	<u>(33,648)</u>	<u>(45,560,952)</u>	<u>(3,854,165)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(1,103,004)	(1,011,139)	(2,644,966)	(145,446)	(450,485)	(5,355,040)	(2,918,746)
Proceeds from maturities of investments	335,934	3,875,593	758,454	148,834	131,405	5,250,220	765,322
Interest received	(49,422)	(502,133)	(176,169)	(23,973)	(30,038)	(781,735)	(118,069)
Net cash provided (used) by investing activities	<u>(816,492)</u>	<u>2,362,321</u>	<u>(2,062,681)</u>	<u>(20,585)</u>	<u>(349,118)</u>	<u>(886,555)</u>	<u>(2,271,493)</u>
Net increase in cash and cash equivalents	(221,092)	(33,091,582)	(1,305,007)	4,520,321	(74,811)	(30,172,171)	(1,995,254)
Cash and cash equivalents at beginning of year	<u>8,194,707</u>	<u>59,268,081</u>	<u>7,809,063</u>	<u>18,395,403</u>	<u>1,236,831</u>	<u>94,904,085</u>	<u>10,185,528</u>
Cash and cash equivalents at end of year	<u>\$ 7,973,615</u>	<u>\$ 26,176,499</u>	<u>\$ 6,504,056</u>	<u>\$ 22,915,724</u>	<u>\$ 1,162,020</u>	<u>\$ 64,731,914</u>	<u>\$ 8,190,274</u>

Reconciliation of operating income to net cash provided (used) by operating activities:

Operating income (loss)	<u>\$ (2,033,246)</u>	<u>\$ 3,043,854</u>	<u>\$ 2,478,833</u>	<u>\$ (2,362,472)</u>	<u>\$ 136,244</u>	<u>\$ 1,263,213</u>	<u>\$ 687,421</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	4,609,999	6,830,224	731,542	1,785,944	204,029	14,161,738	4,057,389
Other income	237,006	736,243	66,907	12,600	8,298	1,061,054	339,851
Change in assets and liabilities:							
(Increase) decrease in accounts receivable	1,445,354	(1,411,037)	(199,539)	1,328	(1,013)	(164,907)	166,757
(Increase) decrease in inventories	-	-	-	-	(8,091)	(8,091)	15,045
(Increase)/decrease in prepaid items and other assets	-	42,401	(621)	7,268	-	49,048	53,046
Decrease in public improvement district	-	40,408	-	-	-	40,408	-
Increase (decrease) in accounts payable	(841,764)	(114,772)	2,435,072	88,531	25,203	1,592,270	(1,075,317)
Increase (decrease) in accrued payroll	9,378	13,873	(2,094)	-	389	21,546	9,194
Increase in retainage payable	42,879	87,474	262,030	25,932	-	418,315	-
Decrease in due to other funds	(3,219)	-	-	-	-	(3,219)	-
Increase in customer deposits	-	113,940	-	-	-	113,940	-
Decrease in estimated unpaid claims	-	-	-	-	-	-	254,045
Increase in unearned revenue	-	-	15,765	-	8,335	24,100	-
Increase (decrease) in compensated absences	(9,685)	5,459	2,001	-	6,257	4,032	340
Increase in other postemployment benefits	127,808	346,843	202,325	-	39,290	716,266	130,518
Increase in closure/postclosure care	-	-	971,108	-	-	971,108	-
Increase (decrease) in other liabilities	(3,022)	10,650	1,209	-	(8,471)	366	1,159
Total adjustments	<u>5,614,734</u>	<u>6,701,706</u>	<u>4,485,705</u>	<u>1,921,603</u>	<u>274,226</u>	<u>18,997,974</u>	<u>3,952,027</u>
Net cash provided (used) by operating activities:	<u>\$ 3,581,488</u>	<u>\$ 9,745,560</u>	<u>\$ 6,964,538</u>	<u>\$ (440,869)</u>	<u>\$ 410,470</u>	<u>\$ 20,261,187</u>	<u>\$ 4,639,448</u>

Noncash investing, capital, and financing activities:

Change in fair value of investments	\$ (94,139)	\$ (974,978)	\$ (272,308)	\$ (66,138)	\$ (45,892)	\$ (1,453,455)	\$ (251,373)
Contributions of capital assets	-	3,781,741	-	-	-	3,781,741	-
Capital lease							
Negative amortization		744,517					

The notes to the basic financial statements are an integral part of this statement.

City of Midland
Notes to the Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2013

Note

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CITY OF MIDLAND, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

1. Summary of Significant Accounting Policies

The City of Midland, Texas (the City) is a municipal corporation incorporated under the laws of the State of Texas (the State). The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

The accounting policies of the City of Midland, as reflected in the accompanying financial statements, conform to generally accepted accounting principles for local government units as prescribed by the Governmental Accounting Standards Board (GASB), the accepted body for promulgating governmental accounting and reporting principles.

GASB Statement No. 34, as amended by GASB Statement Nos. 37 and 38, requires that the basic financial statements and required supplementary information (RSI) for general purpose governments should consist of:

- Management's Discussion and Analysis (MD&A) – MD&A is RSI presented before the basic financial statements, which introduces the basic financial statements and provides an analytical overview of the government's financial activities.
- Basic Financial Statements – The basic financial statements, including notes to the basic financial statements that are essential to a user's understanding of the statements, are presented at two basic levels:
 - A. The government-wide level where all statements are prepared using the economic resources measurement focus and the accrual basis of accounting. These statements present all assets, liabilities, revenues, expenses and gains and losses of the City and distinguish between governmental and business type activities of the City and activities of the City's discretely presented component units.
 - B. The fund level, where governmental fund statements are prepared using the current financial resources measurement focus and the modified-accrual basis of accounting, and proprietary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

These statements focus on information about the City's major governmental and enterprise funds.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

- RSI – Other than MD&A, RSI includes budgetary comparison schedules for the General Fund and any major Special Revenue Funds and other data, such as pension-related and other post employment data, required by GASB statements.

A. The Financial Reporting Entity

The financial reporting entity presented in the basic financial statements of the City of Midland includes the primary government, the City of Midland, and its component units. Component units are legally separate organizations for which the City is financially accountable and organizations which, if excluded, would cause the City's basic financial statements to be misleading or incomplete. GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61, establishes the criteria to be considered in determining component units of a primary government.

These criteria are financial accountability, appointment of board members, imposition of will, financial burden on or benefit to the primary government, dependency, and accuracy and completeness of the reporting entity's financial statements. In the absence of financial accountability, if the organization is a legally separate, tax-exempt entity meeting the following criteria, it should also be discretely presented as a component unit:

1. The resources of the organization are entirely or almost entirely for the direct benefit of the City, its component units, or its constituents.
2. The City, or its component units, is entitled to, or has access to a majority of the resources of the organization.
3. The resources of the organization are significant to the City.

The Midland Football/Soccer and Baseball Complex Development Corporation (SCDC) and the Midland Development Corporation (MDC) are the only component units of the City and are discretely presented. The SCDC is discretely presented because it is a legally separate entity with a majority of its board appointed by the City and the City can impose its will upon the SCDC. Additionally, the City Council and the SCDC boards are not substantively the same and the SCDC does not provide services entirely or almost entirely to the City.

The SCDC is a legally separate nonprofit corporation organized under the Texas Development Corporation Act of 1979, Article 5190.6 Vernon's Texas Revised Civil Statutes Annotated as amended and governed by Section 4B of the Act. The purpose of the SCDC is to improve the quality of life and the public welfare of, for, and on behalf of the City by developing, implementing, providing, and financing the construction of a football-soccer stadium and baseball stadium and

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

A. The Financial Reporting Entity (continued)

related infrastructure, streets, water and sewer facilities, landscaping, land acquisition, automobile parking facilities and other related infrastructure and improvements. Complete audited financial statements of the SCDC may be examined at City of Midland, City Hall, 300 North Loraine, Room 320, Midland, Texas.

The MDC is discretely presented because it is a legally separate entity with a majority of its board appointed by the City and the City can impose its will upon the MDC. Additionally, the City Council and the MDC boards are not substantively the same and the MDC does not provide services entirely or almost entirely to the City.

The MDC is a legally separate nonprofit corporation organized under the Texas Development Corporation Act of 1979, Article 5190.6 Vernon's Texas Revised Civil Statutes Annotated as amended and governed by Section 4A of the Act. The purposes of the MDC include, but are not limited to, keeping existing jobs and businesses in the City, expansion of current and attraction of new business to the City, providing long-term employment opportunities, and other such purposes as delineated in Article 4 of the Articles of Incorporation of the MDC. Complete audited financial statements of the SCDC and MDC may be examined at City of Midland, City Hall, 300 North Loraine, Room 320, Midland, Texas.

B. Joint Venture

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an on-going financial interest or (b) an on-going financial responsibility. The City participates in the following joint venture:

The Midland-Odessa Urban Transit District (MOUTD) was established through an interlocal agreement between the City of Midland and the City of Odessa on August 28, 2001 to provide mass transit to both cities. The MOUTD is to be exclusively governed by both City Councils or through an equally appointed board. At September 30, 2013, the Transit Board (the Board) is the official governing agency of MOUTD. It is comprised of six individuals from both cities, appointed by their respective City Councils. The Board approves the budget, routes, fares, schedules, policies and procedures, new services, etc. Further information concerning MOUTD may be found in note 19 of this financial report.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

C. Government-wide and Fund Financial Statements

As previously discussed, the basic financial statements of the City are presented at two basic levels, the government-wide level and the fund level. These statements focus on the City as a whole at the government-wide level and on major funds at the fund level. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities for the financial reporting entity of the City.

Although the effect of indirect interfund activity has been removed from these statements, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the City is reported separately from certain legally separate component units that meet the criteria for discrete presentation as set forth in GASB Statements No. 14, 39 and 61. The government-wide statement of net position reports all financial and capital resources of the City and is presented in an "assets minus liabilities equal net position" format. Assets and liabilities are presented in relative order of liquidity with liabilities that have an average maturity of more than one year separated into the amount due within one year and the amount due in more than one year.

The government-wide statement of activities identifies the relative financial burden of each of the City's functions (Development Services, Community Service, Fire, Police, etc.) or segments (Water and Sewer, Sanitation, Golf Course, Airport, etc.) on the taxpayers by identifying direct expenses and the extent of self-support through program revenues. Direct expenses are clearly identifiable expenses that can be specifically associated with a function or segment. Program revenues are revenues derived directly from the function or segment, or from other sources that reduce the net cost of the function to be financed from general government revenues.

Program revenues are 1) charges to customers who purchase, use, or directly benefit from services provided by a function or segment and which are generated by that function, 2) grants and contributions restricted to operating requirements of a function or segment and 3) grants and contributions restricted to capital requirements of a function or segment. Items such as taxes, investment earnings and nonspecific grants are not included as program revenues but are instead reported as general revenues, which normally cover the net cost of a function or segment.

Internal service funds report activities that provide goods or services to the financial reporting entity on a cost-reimbursement basis. Any net profit or loss from these activities is allocated back to the function or segment that benefited

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

C. Government-wide and Fund Financial Statements (continued)

from the goods or services provided based upon their proportionate benefit, to the extent possible. The effect of internal service fund activities in the government-wide statements is eliminated, as necessary, to avoid the effect of “doubling up” internal service fund activity. Any residual assets of internal service funds, except the Warehouse Fund, are reported with governmental activities at the entity-wide level. Residual assets of the Warehouse Fund are reported with business-type activities at the entity-wide level because the Warehouse Fund provides support predominantly to the enterprise funds.

Separate fund level financial statements are presented for governmental funds and proprietary funds. The financial information for each major fund is presented in a separate column, with nonmajor funds aggregated and displayed in a single column, on either the governmental or proprietary fund financial statements. A major fund is defined by GASB Statement No. 34, paragraph 76, as amended by GASB Statement No. 37, paragraph 15, as a fund meeting certain specific asset, liability, revenue, or expenditure/expense criteria relative to all funds of that type and relative to the total for all governmental and enterprise funds combined. Additionally, any fund deemed particularly important by the City may be reported as a major fund.

Internal Service Funds, which traditionally provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statements.

D. Measurement Focus and Basis of Accounting

The government-wide statements and proprietary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Exchange and exchange-like transactions, transactions in which the City gives or receives value and receives or gives equal value, that create revenues, expenses, gains, losses, assets or liabilities are recognized when the exchange occurs. Nonexchange transactions, transactions in which the City gives or receives value without receiving or giving equal value in exchange, that result in revenues, expenses, gains, losses, assets or liabilities are recognized in accordance with GASB Statement No. 33, as amended by GASB Statement Nos. 34 and 36. The treatment of nonexchange transactions is grouped in four classes based upon the principal characteristics of the transaction and reported according to those characteristics. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Capital assets are reported at historical cost and depreciated, except for inexhaustible assets such as land, in accordance with the City’s depreciation policy. Governmental fund financial statements are reported using a current financial resources measurement focus

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting (continued)

and modified-accrual basis of accounting. Under the modified-accrual basis of accounting, revenues are recognized when susceptible to accrual, that is, both measurable and available.

“Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In the case of property and sales taxes, available means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Ambulance and grant revenues are considered to be available if they are to be received within one year.

Expenditures are generally recorded when a liability is incurred. However, expenditures related to general long-term debt, compensated absences, and claims and judgments are recorded only when payment is due.

Governmental fund-level revenues that have been accrued based upon the susceptible to accrual concept are:

General Fund - ad valorem taxes, sales taxes, ambulance, interest and federal and state grant proceeds, except where such grants are expenditure driven and other requirements related to the grant have not been met.

Special Revenue Funds - ad valorem taxes, occupancy taxes, federal and state grant proceeds and interest, except where such grants are expenditure driven and other requirements related to the grant have not been met.

Debt Service Fund - ad valorem taxes and interest.

Capital Projects Fund - interest and assessments. Deferred revenue is recorded for assessments that are not available to meet liabilities of the current period. This deferred revenue is offset against assessments receivable to present a net amount that is both measurable and available to meet the liabilities of the current period.

Proprietary fund activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. This measurement focus includes all assets and liabilities on the balance sheet. Operating statements using this focus present a net total assets view of increases (revenues) and decreases (expenses) in the fund.

Proprietary fund operating statements distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting (continued)

generally are the result of providing or delivering goods or services in association with the fund's principal ongoing operations.

The principal operating revenues of the City's water and sewer, sanitation, golf course, airport and sports complex fund are charges of this type. Operating expenses include the costs of administration, sales, services and depreciation. Transactions resulting in nonoperating revenues and expenses are normally created by such items as cash flows from capital and related financing activities, noncapital financing activities, investing activities, and include most nonexchange and exchange-like revenues such as the Passenger Facility Charges (PFC) reported in the Airport Fund. It is the City's general policy to first use restricted assets, such as the PFC revenues, for costs that meet the resource restrictions and then unrestricted assets as needed.

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and other government units, on a cost-reimbursement basis. These activities include, but are not limited to, warehouse, garage, and self-insurance services for workers' compensation, medical/dental and general liability.

The following major funds are used by the City:

1. Governmental Funds

- a. General Fund – The principal operating unit of the City, this fund accounts for the primary activities of the City, such as police protection, fire protection, public works, maintenance of parks and general administration, which are not accounted for and reported in any other fund.
- b. Debt Service Fund – This fund is used to account for and report financial resources that are restricted to expenditure for principal and interest.
- c. Other Governmental Funds – This is a summarization of all of the nonmajor governmental funds. Included are the following funds:
 1. Special Revenue Funds – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting (continued)

1. Governmental Funds (continued)

c. Other Governmental Funds – This is a summarization of all of the nonmajor governmental funds. Included are the following funds:
(continued)

2. Capital Projects Funds - These funds account for and report financial resources that are restricted, committed or assigned to be used for the acquisition or construction of capital facilities and other capital assets other than those financed by business-type activities.

2. Proprietary Funds

a. Water and Sewer Fund - This fund is used to account for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system, and billing and collection for water and sewer services. The fund is also used to accumulate resources for certain capital projects and to meet the requirements of bond indentures, obligations for capital leases and other long-term obligations of the system. Charges to customers, based upon rates that are reviewed on a regular basis, and investment income provide the revenue stream to finance these costs.

b. Sanitation Fund - This fund is used to account for the collection of refuse, delivery of refuse to the landfill and landfill operations. The fund is also used to accumulate resources for certain capital projects and to meet the obligations for capital leases and other long-term obligations of the system. Charges to customers, based upon rates that are reviewed on a regular basis, and investment income provide the revenue stream to finance these costs.

c. Airport Fund - This fund is used to account for the operation and maintenance of the airfield, terminal building, parking facilities, general aviation airport, and industrial park. The fund is also used to accumulate resources for certain capital projects and to meet the requirements of bond indentures and other long-term obligations of the airport. Charges to customers provide the revenue stream to finance operating costs, some capital projects costs, and other long-term obligations of the airport. The Passenger Facility Charge, which is nonoperating revenue, is used to supplement charges to customers in supporting the requirements of bond indentures and certain capital projects.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting (continued)

2. Proprietary Funds (continued)

- d. Scharbauer Sports Complex Fund - This fund is used to account for the operation and maintenance of the sports complex, accumulate resources for capital projects, and meet the requirements of bond indentures, obligations for capital leases and other long-term obligations of the system. Operations, maintenance costs and obligations for capital leases are financed through user charges. Revenues to provide for the retirement of long-term debt associated with the construction of the complex are provided from a contract with the SCDC.
- e. Golf Course Fund - This fund does not meet the criteria for inclusion as a major fund. However, this is the only remaining proprietary fund of the City and as such is presented in a separate column. This fund is used to account for the operation and maintenance of the golf course and pro shop, accumulate resources for capital projects, and meet the requirements of bond indentures and other long-term obligations of the system. All costs are financed through user charges. In 2009, the City assumed operation of the pro shop and related inventories.

3. Other Fund Types

Internal Service Funds – account for fleet management services, provision of goods through a warehouse, technology equipment and services, and self-insurance activities in the areas of workers' compensation, health and general liability to the financial reporting entity on a cost- reimbursement basis.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include any cash on hand, demand deposits and any highly liquid investments that have an original maturity of three months or less from date of purchase. Investments in TexPool, LOGIC, and TexStar (2a7-like pools) are considered cash equivalents as the amounts are available on demand.

Investments, other than investments in 2a7-like pools, are recorded at fair value based upon verifiable market prices.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

F. Inventories and Prepaid Items

Inventories are valued at average cost. Inventories for all funds consist of expendable supplies and are recorded as expenditures or expenses, as appropriate, when consumed rather than when purchased.

The City makes certain payments to vendors in the current year for expenses/expenditures applicable to future accounting periods. A reserve for inventories and prepayments in governmental funds is recognized at the fund level to indicate that a portion of the fund balance is not appropriable for expenditure. Prepaid items are recorded as expenditures or expenses when consumed.

G. Receivables, Payables and Interfund Transactions

Short-term loans between funds are reported as interfund receivables in the fund making the loan and as interfund payables in the fund receiving the loan. Arms-length transactions between funds for goods and services are reported as revenues in the selling fund and as expenses/expenditures in the acquiring fund. Any unpaid amounts are appropriately recorded as interfund receivables/payables when liquidation is expected within one year. If anticipated repayment is longer than one year, amounts are classified as advances to/from other funds. Flows of assets from one fund to another with no requirement for repayment or without an equivalent flow of assets in return are accounted for as transfers.

H. Capital Assets

Capital assets are defined as a purchase or other acquisition of any equipment, facilities or other similar assets or the cost of construction of such asset the cost of which is in excess of \$5,000 and has a useful life of more than one year. These assets include property, plant, equipment, infrastructure, and all other tangible and intangible assets purchased or acquired. Purchased or constructed assets are carried at historical cost or estimated historical cost. Infrastructure assets, which include streets and associated drainage, sidewalks, bridges, drainage systems, water and sewer systems, runways and taxiways, lighting systems and other similar type assets, have been recorded at historical cost for all assets acquired after April 1986. Infrastructure assets acquired prior to April 1986 and after June 1980 were capitalized based upon estimated historical cost obtained from bond documents used to obtain financing for construction of infrastructure assets. Contributed assets are recorded at estimated fair value at the time of acquisition.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets for business-type activities is capitalized as part of the value of the asset. During fiscal year 2013, \$0.53 million in capitalized interest was recorded. Depreciable

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

H. Capital Assets (continued)

capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Classification</u>	<u>Years</u>
Buildings	10–40
Infrastructure	20–50
Improvements other than buildings	2–50
Machinery and equipment	4–30
Intangible and Other	3–15

I. Compensated Absences

The City's employees earn vacation, which may either be taken or accumulated, subject to a specified maximum, until paid upon retirement or termination. Unused sick leave is accumulated up to certain limits, which are subject to specific reductions if deposited into a Retiree Reimbursement Account (RRA) upon retirement. The City's employees are allowed to accumulate compensatory time up to a specified maximum.

The City has accrued vacation, sick leave, compensatory time and related salary payments based on the criteria set forth in GASB Statement No. 16. This liability has been accrued in the government-wide and proprietary fund statements. Governmental funds report liabilities only for the matured portion of these liabilities.

J. Federal and State Grants

Community Development Block Grants, Federal and State of Texas Equitable Property Sharing proceeds and certain other public safety grants are accounted for within special revenue funds. Other grants and entitlements received for purposes normally financed through the general government are accounted for within the General Fund. Grant revenues are recognized when the expenditures are accrued and other related requirements are met. Airport Improvement Program (AIP) grants are accounted for within the Airport Fund, which is an enterprise fund. Grant revenues are recognized on an accrual basis.

K. Long-Term Debt

General Obligation Bonds and Certificates of Obligation that have been issued to fund capital projects of the general government that are to be repaid from tax revenues of the City are reported in the government-wide statement of net position.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

K. Long-Term Debt (continued)

Certificates of Obligation, which are secured by tax revenues, and Revenue Bonds, which have been issued to fund capital projects of proprietary funds that are to be repaid with funds from proprietary fund assets, are reported in the proprietary funds. Bonds payable are reported net of the associated premium or discount at the government-wide level and in the fund level proprietary fund statements.

The government-wide and proprietary fund level statements defer bond premiums, discounts and issuance costs and amortize these items over the life of the issue using the effective interest rate method. In the fund level statements, governmental fund types recognize these items in the current period.

L. Retirement Plans

The City has two separate defined-benefit retirement plans that cover substantially all employees. The Texas Municipal Retirement System provides benefits for all full-time employees who are not firefighters. The Midland Firemen's Relief and Retirement Fund provides benefits for all full-time firefighters. The City's contributions to both funds are recorded on an accrual basis.

M. Indirect and Centralized Expenses

The City does not allocate indirect expenses among functions. The City charges proprietary type funds for "centralized" expenses, which include an administrative overhead component, provided by the General Fund. These costs are determined on an annual basis through a full cost allocation study, except in the case of the Airport Fund. Airport Fund costs are determined in accordance with Office of Management and Budget (OMB) Circular A-87. However, the City does not charge the full cost determined through the OMB Circular A-87 study to the Airport Fund. All charges for these "centralized" expenses are treated as transfers in the proprietary funds.

N. Nature and Purpose of Classifications of Fund Equity

Governmental Funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by the intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based on Council direction.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

O. Implementation of New Accounting Principles

In the preparation of the Fiscal Year 2013 basic financial statements, the City adopted the following accounting standard by the GASB:

- GASB Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* modifies certain requirements for inclusion of component units in the financial reporting entity and clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making that determination.
- GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* directly incorporates the applicable guidance from FASB and AICPA pronouncements into the state and local government accounting and financial reporting standards.
- GASB Statement No. 63 (GASB 63) *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

2. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total government funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.”

The details of this \$59,874,733 difference are as follows:

Bonds, notes payable and certificates of obligation payable	\$35,406,948
Accrued interest payable	109,331
Compensated absences	5,729,703
Other postemployment benefits	<u>18,628,751</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> arrive at <i>net position – governmental activities</i>	<u>\$59,874,733</u>

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

2. Reconciliation of Government-Wide and Fund Financial Statements (continued)

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position (continued)

Another element of that reconciliation states that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred funds."

The details of this \$3,570,234 difference are as follows:

Property taxes receivable	\$ 566,091
Lot clearing and paving liens receivable (net)	1,651,692
Municipal court fines receivable (net)	1,034,028
Unamortized debt issuance costs	<u>318,423</u>

Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 3,570,234</u>
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B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

The details of this \$7,662,039 difference are as follows:

Capital outlay (include \$10,393,815 reported in General Fund functional activities)	\$13,996,463
Depreciation expense	<u>(6,334,424)</u>

Net adjustment to increase <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$7,662,039</u>
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(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

2. Reconciliation of Government-Wide and Fund Financial Statements (continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (continued)

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position."

The details of this \$7,818,657 difference are as follows:

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	\$7,879,738
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In the statement of activities, only the <i>gain</i> on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	(61,081)
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Net adjustment to increase <i>net changes in fund balances</i> – <i>total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$7,818,657</u>
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Another element of that reconciliation states that, "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position."

Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

The details of this \$2,818,125 difference are as follows:

Principal repayments:	
General obligation debt	\$1,118,125
Certificates of obligation	1,610,000
Notes payable	90,000

Net adjustment to decrease <i>net changes in fund balances</i> – <i>total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ 2,818,125</u>
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(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

2. Reconciliation of Government-Wide and Fund Financial Statements (continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (continued)

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds."

The details of this \$(3,702,257) difference are as follows:

Reversal of prior year interest accrual	\$ 387,719
Accrued interest	(109,331)
Amortization of issuance and reacquisition costs	51,259
Change in compensated absences	(362,503)
Change in other postemployment benefits	<u>(3,669,401)</u>

Net adjustment to decrease *net changes in fund balances*
– *total governmental funds to arrive at changes in net*
position of governmental activities

\$(3,702,257)

3. Deposits and Investments

Deposits – State statute requires that public funds in the City's depository institution be secured by eligible securities, as defined in V.T.C.A., Local Government Code Chapter 2257, in an amount not less than the amount on deposit plus any accrued interest less any amount provided for by insurance of the United States or an instrumentality thereof.

The City's depository agreement further restricts acceptable collateral, 65% secured by direct obligations of the United States and 35% meeting the requirements of Chapter 2257, and the level of collateral to 102% of City funds on deposit or the amount of City funds on deposit plus \$1,000,000, whichever is greater. City deposits were fully insured or collateralized as of September 30, 2013. At September 30, 2013, the carrying amount of cash for the City and MDC was \$1,303,863 and \$2,319,908, respectively. The bank balance of \$1,650,985 was insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000. The remaining bank balance was collateralized by securities, fair value of \$9,033,922 at September 30, 2013, held in the City's name by the Federal Reserve Bank of Minneapolis as agent for the City.

In addition to these bank balances, the Federal Reserve Bank serves as Custodian for eligible federal treasury and agency securities in the amount of \$86,528,100.

Investments – The City's investment policies are governed by State statutes. The City's investment policies further limit State statutes such that eligible investments include the following:

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

3. Deposits and Investments (continued)

A. Obligations of the United States or Its Agencies and Instrumentalities

1. United States of America Treasury Securities;
2. Farmers Home Administration (FmHA) obligations backed by the full faith and credit of the United States;
3. Federal Home Loan Bank (FHLB) bonds;
4. Federal National Mortgage Association (Fannie Mae or FNMA) notes and debentures;
5. Farm Credit System obligations;
6. Federal Home Loan Mortgage Corporation (Freddie Mac or FHLMC) obligations, i.e. discount notes or debentures.

B. Direct Obligations of the State of Texas or Its Agencies

Texas State, City, County, or School District General Obligation Bonds with a remaining maturity of ten years or less having been rated as to investment quality by Moody's or Standard and Poor's (nationally recognized investment rating firms) and having received a rating of no less than "A" or its equivalent.

C. Certificates of Deposit Issued by State and National Banks Domiciled in This State

Certificates of Deposit issued by state and national banks domiciled in this state that are: (1) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or (2) secured by obligations that are described in V.T.C.A., Local Government Code Sections 105.001 et seq.

D. Fully Collateralized Repurchase Agreements Having a Defined Termination Date

Fully collateralized direct repurchase agreements and reverse repurchase agreements with a defined termination date of no more than 90 days from the date such investment is purchased, and secured by obligations of the United States or its agencies and instrumentalities with a market value of not less than the amount of the funds disbursed and held by a custodian for the City.

Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas. Money received under the terms of a reverse repurchase agreement shall be used to acquire additional eligible investments whose maturity does not exceed the expiration date of the reverse repurchase agreement.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

3. Deposits and Investments (continued)

E. Money Market Funds

Money Market Funds fully authorized by State statute of both public and private sponsorship.

F. Other Securities or Obligations Approved by the City Council

Other such securities or obligations as authorized by State statute and approved by the City Council.

Investments of the City, other than for 2a7-like pools, are valued based upon quotes obtained from Bloomberg. Investments in 2a7-like pools are valued based upon the value of pool shares. No investments are reported at amortized cost. The City invests in three 2a7-like pools; the Local Government Investment Cooperative (LOGIC), TexStar, and the Texas Local Government Investment Pool (TexPool), all of which were created under the Interlocal Cooperation Act, Texas Government Code Ann. ch. 791 and the Texas Government Code Ann. ch. 2256. Investments in the 2a7-like pools are considered to be cash equivalents when preparing these financial statements.

LOGIC is governed by a five-member Board of Directors consisting of four individuals from participating Government Entities in the pool and one unaffiliated individual. The business and affairs of LOGIC are managed by the Board. J.P. Morgan Investment Management, Inc. provides investment management, fund accounting, transfer agency and custodial services for the pool and First Southwest Asset Management, Inc. provides administrative, marketing and participant services. The Texas Treasury Safekeeping Trust Company (the Trust) is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is the sole officer, director and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act, Texas Government Code Ann. ch. 2256. TexStar is governed by a five-member Board of Directors comprising three government officials or employees and two other persons with expertise in public finance. Additionally, TexStar has a six-member advisory board.

Fair value of the City's position in all three pools is, in all material respects, the same as the value of the pool shares. Investment income earned on pooled cash and investments is allocated to each fund based upon each fund's weighted average daily cash and investment balances.

State statutes permit the City to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the City or provide securities or cash of equal value, the City would suffer an economic loss equal to the difference between the market value plus accrued interest

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

3. Deposits and Investments (continued)

of the underlying securities and the agreement obligation, including accrued interest. During the year ended September 30, 2013, the City invested in no reverse repurchase agreements.

Credit Risk – In compliance with the City's investment policy, as of September 30, 2013, the City minimized credit risk by limiting investments to the safest types of securities and diversifying the portfolio so that potential losses on individual securities were minimized. The 2a7-like pools (which represent approximately 59.8% of the portfolio) are rated AAAM by Standard and Poor's. The Farm Credit System obligations, Federal Home Loan Bank notes and Federal Home Loan Mortgage Corporation obligations were all rated AAA by Standard and Poor's.

Interest Rate Risk – As a means of minimizing risk of loss due to interest rate fluctuations, the City's investment policy requires that the portfolio remain sufficiently liquid to enable the City to meet operating requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements. Liquidity and marketability will be ensured by investing in securities with active secondary markets. Final stated maturities may not exceed ten years with no more than 30% exceeding seven years and dollar weighted average portfolio maturity not to exceed five years in the investments listed above in sections A through F. At September 30, 2013, the weighted average portfolio maturity was 2.70 years.

The City's investments carried at fair value as of September 30, 2013 are:

Investments:	Primary Government	Component Units	Total	Weighted Average Maturity (in years)	Credit Risk
FHLB	\$ 47,334,800	\$ -	\$ 47,334,800	8.51	AAA
FNMA	29,424,560	-	29,424,560	4.65	AAA
FHLMC	9,768,740	-	9,768,740	4.26	AAA
Subtotal investments	86,528,100	-	86,528,100		
2a7-Like Pools	128,625,673	21,789,017	150,414,690	-	AAAM
Total Fair Value	\$ 215,153,773	\$ 21,789,017	\$ 236,942,790		
Portfolio Weighted Average Maturity				2.70	

Concentration of Credit Risk – The City's investment policy states that the portfolio(s) shall be diversified by type of investment and maturities to reduce risks resulting from undue investment concentration. At September 30, 2013, more than 5% of the City's investments are in Federal Home Loan Bank notes and Federal National Mortgage Association notes. This investment is 22.0% and 13.7%, respectively, % of the City's total portfolio. The investments in 2a7-like pools balance as of September 30, 2013, consisted of TexPool, LOGIC, and TexStar in the amounts of \$73,235,460, \$182,804, and \$76,996,425, respectively.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

4. Property Taxes

Property taxes for the current fiscal year are levied on October 1; attach as an enforceable lien on property as of January 1; and become delinquent at January 31, unless the half-payment option is elected by the taxpayer, in which case one-half of the tax is due November 30, and the balance due the following June 30. On February 1, delinquent taxes are assessed a 6% penalty plus 1% interest. Penalty and interest rates each increase 1% per month through June. According to Article V, Section (2) of the City Charter, the maximum tax rate is \$2.00 per \$100.00 assessed valuation, which includes debt service. The combined tax rate of the 2012 tax roll or Fiscal Year 2012-2013 was \$0.461088 per \$100.00 assessed valuation, resulting in a tax levy in the amount of \$35,602,117 on an assessed valuation of \$7,721,328,048. The levy is composed of maintenance and operations levy of \$0.404049 and an interest and sinking fund (debt service) levy of \$0.057039 per \$100.00 assessed valuation. Property taxes are imposed nonexchange revenues and, as such, require different revenue recognition at the government-wide level and fund level.

In the government-wide statements, property taxes are recorded on an accrual basis with a receivable for any delinquent taxes and the associated revenue recognized at September 30 of each year. At the fund level, property tax revenues are recognized on the modified-accrual basis of accounting, meaning collected within the current period or soon enough thereafter, not to exceed 60 days, to be used to pay liabilities of the current period.

5. Receivables

Receivables as of September 30, 2013 for the City's individual major and nonmajor funds, and internal service funds in the aggregate, including applicable allowances for uncollectible amounts, are as follows:

	General	Debt Service	Airport	Water and Sewer	Sanitation	Sports Complex	Nonmajor and Other Funds	Total
Receivables:								
Interest	\$ 83,822	\$ 966	\$ 7,239	\$ 60,585	\$ 17,528	\$ 3,485	\$ 41,952	\$ 215,577
Property Taxes	716,300	105,793	-	-	-	-	337,427	1,159,520
Sales Taxes	6,924,011	-	-	-	-	-	-	6,924,011
Accounts	5,398,744	3,296	133,302	8,026,086	791,612	31,529	1,201,408	15,585,977
Assessments	511,617	-	-	-	-	-	-	511,617
Intergovernmental	144,870	-	106,686	-	-	-	83,956	335,512
Gross receivables	13,779,364	110,055	247,227	8,086,671	809,140	35,014	1,664,743	24,732,214
Less: allowance for Uncollectibles	(3,331,132)	-	(17,623)	(709,794)	(17,704)	-	-	(4,076,253)
Net total receivables	<u>\$ 10,448,232</u>	<u>\$ 110,055</u>	<u>\$ 229,604</u>	<u>\$ 7,376,877</u>	<u>\$ 791,436</u>	<u>\$ 35,014</u>	<u>\$ 1,664,743</u>	<u>\$ 20,655,961</u>

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

5. Receivables (continued)

The City reports deferred revenue, revenue earned but not available to liquidate liabilities of the current period, and unearned revenue, revenue received but not yet earned, in its governmental funds. At September 30, 2013, the composition of these revenues was as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 469,130	\$ -
Lot clearing receivable (General Fund)	389,750	-
Municipal Court fines (General Fund)	1,034,028	-
Delinquent property taxes receivable (Debt Service Fund)	96,961	-
Lot clearing receivable (other governmental funds)	1,000,325	-
Street paving liens receivable (General Fund)	511,617	-
Grant drawdowns prior to meeting all eligibility requirements	-	177,059
Prepayment of various charges	-	140
Total deferred/unearned revenue for governmental funds	<u>\$ 3,501,811</u>	<u>\$ 177,199</u>

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

6. Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

Primary Government

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,851,815	\$ 1,329,892	\$ 86,840	\$ 6,268,547
Construction in progress	6,502,662	13,624,831	(18,751,616)	1,375,877
Total capital assets, not being depreciated	11,354,477	14,954,723	(18,664,776)	7,644,424
Capital assets, being depreciated:				
Buildings	27,091,382	3,051,302	(226,675)	29,916,009
Improvements other than buildings	14,382,678	862,743	(74,079)	15,171,342
Machinery and equipment	50,294,864	5,986,454	(457,605)	55,823,713
Infrastructure	93,081,004	19,815,974	-	112,896,978
Other	8,801,616	11,260	(436,191)	8,376,685
Total capital assets, being depreciated	193,651,544	29,727,733	(1,194,550)	222,184,727
Less accumulated depreciation for:				
Buildings	(10,575,028)	(939,906)	46,286	(11,468,648)
Improvements other than buildings	(8,130,519)	(700,208)	65,929	(8,764,798)
Machinery and equipment	(33,126,840)	(3,959,933)	436,473	(36,650,300)
Infrastructure	(51,323,772)	(3,712,815)	-	(55,036,587)
Other	(6,262,073)	(1,028,105)	434,753	(6,855,425)
Total accumulated depreciation	(109,418,232)	(10,340,967)	983,441	(118,775,758)
Total capital assets, being depreciated, net	84,233,312	19,386,766	(211,109)	103,408,969
Governmental activities capital assets, net	\$ 95,587,789	\$ 34,341,489	\$ (18,875,885)	\$ 111,053,393
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 9,582,401	\$ 3,648,805	\$ -	\$ 13,231,206
Construction in progress	30,305,743	32,575,211	(52,427,344)	10,453,610
Total capital assets, not being depreciated	39,888,144	36,224,016	(52,427,344)	23,684,816
Capital assets, being depreciated:				
Water rights	63,282,528	-	-	63,282,528
Buildings	717,058	-	-	717,058
Improvements other than buildings	53,468,789	181,327	(10,811)	53,639,305
Machinery and equipment	85,336,974	1,853,558	(302,678)	86,887,854
Infrastructure	10,851,402	326,974	(38,437)	11,139,939
Other	264,430,127	248,258,285	(2,459,154)	510,229,258
Total capital assets, being depreciated	3,538,259	-	-	3,538,259
Less accumulated depreciation for:				
Water rights	418,342,609	250,620,144	(2,811,080)	666,151,673
Buildings	(717,058)	-	-	(717,058)
Improvements other than buildings	(18,489,982)	(1,434,470)	10,812	(19,913,640)
Machinery and equipment	(39,105,899)	(3,293,367)	(1)	(42,399,267)
Infrastructure	(6,671,323)	(759,727)	38,435	(7,392,615)
Other	(112,980,164)	(8,457,057)	2,440,056	(118,997,165)
Total accumulated depreciation	(1,905,576)	(267,964)	-	(2,173,540)
Total capital assets, being depreciated, net	(179,870,002)	(14,212,585)	2,489,302	(191,593,285)
Business-type activities capital assets, net	238,472,607	236,407,559	(321,778)	474,558,388
Business-type activities capital assets, net	\$ 278,360,751	\$ 272,631,575	\$ (52,749,122)	\$ 498,243,204

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

6. Capital Assets (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	
Administration	\$ 101,323
Support services	466,672
Development services	1,259
Engineering	3,996,508
Community services	1,230,248
Police	247,624
Fire	290,791
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	<u>4,006,542</u>
Total depreciation expense – governmental activities	<u>\$ 10,340,967</u>
Business-type activities:	
Airport	\$ 4,609,999
Water and sewer	6,881,071
Sanitation	731,542
Scharbauer sports complex	1,785,944
Nonmajor fund	<u>204,029</u>
Total depreciation expense – business-type activities	<u>\$ 14,212,585</u>

Discretely Presented Component Units

Capital asset activity for MDC for the year ended September 30, 2013 was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 727,969	\$ 3,965,063	\$ -	\$ 4,693,032
Construction in progress	-	370,480	-	370,480
Total capital assets, not being depreciated	<u>727,969</u>	<u>4,335,543</u>	<u>-</u>	<u>5,063,512</u>
Capital assets, being depreciated:				
Buildings	1,271,184	-	-	1,271,184
Improvements other than buildings	499,260	-	-	499,260
Machinery and equipment	38,076	-	-	38,076
Infrastructure	484,502	-	-	484,502
Total capital assets, being depreciated	<u>2,293,022</u>	<u>-</u>	<u>-</u>	<u>2,293,022</u>
Less accumulated depreciation for:				
Buildings	(207,410)	(31,761)	-	(239,171)
Improvements other than buildings	(156,187)	(24,951)	-	(181,138)
Machinery and equipment	(17,732)	(2,995)	-	(20,727)
Infrastructure	(66,770)	(9,684)	-	(76,454)
Total accumulated depreciation	<u>(448,099)</u>	<u>(69,391)</u>	<u>-</u>	<u>(517,490)</u>
Total capital assets, being depreciated, net	<u>1,844,923</u>	<u>(69,391)</u>	<u>-</u>	<u>1,775,532</u>
Governmental activities capital assets, net	<u>\$ 2,572,892</u>	<u>\$ 4,266,152</u>	<u>\$ -</u>	<u>\$ 6,839,044</u>

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

7. Employee Benefit Plans

A. Texas Municipal Retirement System

1. Plan Description

The City provides pension benefits for all of its full-time employees who are not firefighters through a nontraditional, joint contributory, hybrid defined-benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 849 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 847 municipalities have an annual, individual actuarial valuation performed. All assumptions for the December 31, 2012 valuations are contained in the 2012 TMRS Comprehensive Annual Financial Report, the report is available on TMRS' website at www.TMRS.com.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percentage (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit, which is a theoretical amount that, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City-matching percentage had always been in existence and if the employee's salary had always been the average of his/her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City are as follows:

Deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5 years
Service Retirement Eligibility (expressed as years of service/age)	5 yrs/age 60, 20 yrs/any age
Updated Service Credit	100% repeating, transfers
Annuity increase (to retirees)	50% of CPI repeating

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

7. Employee Benefit Plans (continued)

A. Texas Municipal Retirement System (continued)

2. Funding Policy

Under the State law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percentage of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2012 valuation is effective for rates beginning January 2014).

Contributions by the City were \$6,473,174 or 16.92% of covered payroll of \$38,257,520 as required by the actuarial valuation. Total payroll for Fiscal Year 2012 was \$55,284,826. Annual TMRS pension cost, net pension obligation (NPO) and related information for the last three years is as follows:

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

7. Employee Benefit Plans (continued)

A. Texas Municipal Retirement System (continued)

2. Funding Policy (continued)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual required contribution (ARC)	\$ 6,473,174	\$ 7,580,704	\$ 7,600,134
Annual pension cost	6,473,174	7,580,704	7,600,134
Contributions made	6,473,174	7,580,704	7,600,134
Change in NPO	-	-	-
NPO, beginning of year	-	-	-
NPO, end of year	\$ -	\$ -	\$ -
Contributions as a percentage of annual pension cost	100%	100%	100%
Actuarial valuation date	December 31, 2010	December 31, 2010	December 31, 2009
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level % of payroll	Level % of payroll	Level % of payroll
Asset valuation method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Amortization period	25.0-year closed period	26.0-year closed period	26.9-year closed period
Actuarial assumptions:			
Investment rate of return	7.0%	7.0%	7.0%
Inflation rate	3.0%	3.0%	3.0%
Cost-of-living adjustments	1.5%	1.5%	1.5%
Projected salary increases	Varies by age and service	Varies by age and service	Varies by age and service

3. Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 68.7% funded. The actuarial accrued liability for benefits was \$248.7 million, and the actuarial value of assets was \$222.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$26.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$38.3 million, and the ratio of UAAL to the covered payroll was 68.7%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

7. Employee Benefit Plans (continued)

A. Texas Municipal Retirement System (continued)

3. Funded Status and Funding Progress (continued)

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used includes techniques that are designed too reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents the six-year historical trend information relative to the funding progress and employer contributions.

B. Midland Firemen's Relief and Retirement Fund

1. Plan Description

The Board of Trustees of the Midland Firemen's Relief and Retirement Fund (the Fund) is the administrator of a single-employer defined benefit pension plan. The Fund is a separate legal entity with an independently elected board and issues its own audited financial statements. Additionally, the Fund has its own actuarial valuations performed as of December 31 in odd numbered years. The last actuarial valuation report available is for the year ended December 31, 2011. All assumptions for this valuation are contained in the Midland Firemen's Relief and Retirement Fund Actuarial Valuation Report and Review as of January 1, 2013, a copy of which may be obtained by writing the Midland Firemen's Relief and Retirement Fund Board of Trustees, 1500 W. Wall, Midland, TX 79701.

A degree of financial dependence upon the City does exist to the extent the City makes contributions to the Fund equal to 20.2% of plan participants' pay. In the City's professional judgment, this dependence is not sufficient to warrant inclusion of the Fund's activities within the City's basic financial statements.

Firefighters in the Midland Fire Department are covered by the Midland Firemen's Relief and Retirement Fund. The table below summarizes the

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

7. Employee Benefit Plans (continued)

B. Midland Firemen's Relief and Retirement Fund (continued)

1. Plan Description (continued)

membership of the fund at December 31, 2012, December 31, 2011, and December 31, 2010:

	Dec. 31, <u>2012</u>	Dec. 31, <u>2011</u>	Dec. 31, <u>2010</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	142	131	129
Current employees			
a. Vested	104	109	84
b. Nonvested	<u>72</u>	<u>81</u>	<u>106</u>
Total	<u>318</u>	<u>321</u>	<u>319</u>

The Midland Firemen's Relief and Retirement Fund provides service retirement, death, disability and withdrawal benefits. These benefits become fully vested after 20 years of credited service. Employees may retire with a normal retirement benefit at age 50 with 20 years of service. A partially vested benefit is provided for employees who terminate employment with at least 10 but less than 20 years of service. Firefighters may retire with 25 years of service at any age. Employees are also eligible for a reduced early service retirement benefit upon termination of eligible employment with between 20 and 25 years of service and after attaining age 45. Benefits of retired firefighters are determined on a "formula" plan with normal benefits based on a percentage of the highest 60 months' average pay: 75% plus \$80 per month for each service year in excess of 20 years to the last completed month for service and disability benefits.

Widow benefits are based on 75% of the benefit the deceased firefighter would have been entitled to as a normal service retirement based upon the firefighter's salary and service at the time of death. The widow's benefit is 75% of the benefit the firefighter was receiving at the time of death if the firefighter was retired. Children's benefits until age 22 are 11.25% of the firefighter's average highest 60 months' pay if there is a surviving spouse. If there is no surviving spouse, children receive 22.50% of the firefighter's average highest 60 months' pay.

There are four Deferred Retirement Option Plans (DROP) and a 100% joint and survivor option.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

7. Employee Benefit Plans (continued)

B. Midland Firemen's Relief and Retirement Fund (continued)

1. Plan Description (continued)

DROP 1 allows a firefighter to contract with the fund to retire while he/she continues to be employed as a regular firefighter. His/her benefit and contributions are accumulated in a separate account with interest. DROP 1 may last no longer than three years at which time he/she leaves the Fire Department, receives his/her accumulated lump sum and begins receiving benefits as contracted for three years earlier.

DROP 2 is a reverse plan whereby the firefighter contracts to receive 90% of his/her normal retirement benefit and receives as a lump sum the reduced monthly benefit multiplied by 24 months.

DROP 3 allows a firefighter with at least 20 years of service and age 50 to declare his/her effective retirement date as no earlier than the date he/she actually had 20 years of service and was at least 50 years old. He/she receives a lump sum consisting of the benefit as of the effective date, his/her contributions since that date and interest thereon. A firefighter can DROP back to no more than three years. The 100% joint and survivor option allows the firefighter and his/her spouse to receive the same benefit for life, the normal benefit being reduced by 10% plus 0.4% per year that the beneficiary's age is less than the firefighter's age and minus 0.4% that the beneficiary's age is greater than the firefighter's. All benefits are subject to the IRS Sec. 415 limitation. Additionally, there is a \$10,000 death benefit for a beneficiary and a \$500 monthly supplement for the firefighter who retires at or after age 50 with 20 years of service or more. A 2% COLA is incorporated the January following 5 years of actual receipt of benefits and physical departure from the Fire Department. Under this plan, Midland firefighters are required to contribute 13.2% of their pay to the fund.

DROP 4 provides a Combined (Forward and Retroactive) DROP plan benefit. This option states that the firefighter must retire within three years of his Combined (Forward and Retroactive) DROP. The monthly benefit he will receive is determined based upon his salary and service at the beginning of the DROP period. At the conclusion of the DROP period, the firefighter will be paid an amount which is the sum of his employee contributions from the Forward DROP portion of the period plus the product of his monthly benefit amount times the number of months of the Forward DROP portion of the Combined (Forward and Retroactive) DROP period.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

7. Employee Benefit Plans (continued)

B. Midland Firemen's Relief and Retirement Fund (continued)

1. Plan Description (continued)

The plan was amended on October 1, 2008 to include a cost of living adjustment. Eligible firefighters and beneficiaries will receive payment on August 1 following the fifth full audited year of receipt of benefits by a firefighter and following a firefighter's physical departure from the Fire Department.

The City of Midland is statutorily required to make contributions that will equal the lesser of 9.00% or the firefighters' contribution rate. However, the City makes contributions equal to 20.20% of pay as authorized by Ordinance 9052 that adopted the Fiscal Year 2013 budget that incorporated the increase above the statutory rate. The benefit and contribution provisions of this plan, other than the City's contribution rate, are authorized by the Texas Local Fire Fighters Retirement Act (TELFRA).

a. Basis of Accounting – The Midland Firemen's Relief and Retirement Fund financial statements are prepared using the accrual basis of accounting. The fund's fiscal year is a calendar year. Employee and employer contributions are recognized as revenues in the period in which they are received by the Fund for benefit purposes but reported as accrued in the audited statements. Benefits paid and refunds of contributions are recognized when due and payable in accordance with the terms of the plan.

b. Method Used to Value Investments – The Midland Firemen's Relief and Retirement Fund's investments are reported at fair value. Investments in securities traded on a national securities exchange are valued based on the latest quoted market price as of each year-end. Investments that are not traded on a national securities exchange are valued at their fair values determined by the Trustees based on the market values of similar investments or on the basis of information obtained from qualified sources such as the custodial bank trust department, brokers, pricing services or appraisers.

2. Summary of Significant Accounting Policies and Plan Asset Matters

In accordance with the policy of stating investments at market value, the amount reflected as the net appreciation (depreciation) in fair value represents the net changes in market values from the beginning of the

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

7. Employee Benefit Plans (continued)

B. Midland Firemen's Relief and Retirement Fund (continued)

2. Summary of Significant Accounting Policies and Plan Asset Matters
(continued)

year or date of purchase (whichever is later) to the end of the year, adjusted for securities sold during the year. The fund has investments in Westwood Trust Smid Cap Equity, Federated International Small Company Fund, 2514 Multi-Strategy Fund Limited Partnership, and Loomis Sayles Multisector Trust that represent 5% or more of the Fund's net assets. The fair value of these investments is \$6,207,903, \$3,744,062, \$6,651,898, and \$5,872,006, respectively. The Midland Firemen's Relief and Retirement Fund adopted the current plan effective October 1, 2000, amended November 1, 2002 and October 1, 2008.

3. Funding Status and Progress

The Fund is required by statute to conduct actuarial studies once every three years and conducted the last study December 31, 2011 for the plan in effect at that time. The following disclosures relative to the funding and progress of the plan are made for the plan in effect and for the plan year ended December 31, 2012.

The funding policy of the Fund requires contributions equal to 13.2% of pay by the firefighters and 20.2% of pay by the City of Midland, effective October 1, 2007.

While the contribution requirements are not actuarially determined, State law requires that a qualified actuary must approve each plan of benefits adopted by the Fund. The actuary certifies that the contribution commitments by the firefighters and the City provide an adequate financing arrangement.

Contributions by the City were \$2,744,910, or 20.2% of covered payroll of \$13,588,665, as required by the actuarial valuation. Total payroll for fiscal year 2013 was \$55,325,868. Annual FRRF pension cost, NPO and related information for the last three years are as follows:

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

7. Employee Benefit Plans (continued)

B. Midland Firemen's Relief and Retirement Fund (continued)

	2012	2011	2010
ARC	\$ 2,744,910	\$ 2,477,724	\$ 2,331,557
Annual pension cost	2,744,910	2,477,724	2,331,557
Contributions made	2,744,910	2,477,724	2,331,557
Change in NPO	-	-	-
NPO, beginning of year	-	-	-
NPO, end of year	\$ -	\$ -	\$ -
Contributions as a percentage of annual pension cost	100%	100%	100%
Actuarial valuation date	N/A	December 31, 2011	N/A
Actuarial cost method	N/A	Entry age normal	N/A
Amortization method	N/A	Level % of payroll	N/A
Asset valuation method	Smoothed market value	Smoothed market value	Smoothed market value
Amortization period	N/A	41.2 years open	N/A
Actuarial assumptions:			
Investment rate of return	8.00%	8.00%	8.00%
Inflation rate	3.00%	3.00%	3.00%
Cost-of-living adjustments	2.00% after 5 years	2.00% after 5 years	2.00% after 5 years
Projected salary increases	11.50%–6.00%	11.50%–6.00%	11.50%–6.00%

As of January 1, 2012, the most recent actuarial valuation date, the plan was 72.23% funded. The actuarial accrued liability for benefits was \$101.2 million, and the actuarial value of assets was \$73.1 million, resulting in an UAAL of \$28.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$12.3 million, and the ratio of the UAAL to the covered payroll was 229.0%.

The required supplementary information reporting the six-year historical trend information relative to the FRRF's funding progress and employer contributions is presented in the RSI Section of the City's CAFR, following the notes.

C. Deferred Compensation

The City offers all employees a deferred-compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

In compliance with the Small Business Job Protection Act of 1996 and the Taxpayer Relief Act of 1997, the nature of assets held by the U.S. Conference of

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

7. Employee Benefit Plans (continued)

C. Deferred Compensation (continued)

Mayors and Hartford Variable Annuity Life Insurance Company is assets held in trust by the plan providers for the exclusive benefit of plan participants and their beneficiaries. The City retains no rights to plan assets or property nor has any liability for those assets.

D. Flexible Spending Account

The City offers all employees a flexible spending account, known as a cafeteria plan, which was established under Section 125 of the IRS code. Administration of the plan is contracted to a third party administrator. Employee contributions are transferred to the administrator and posted to a debit card which the employee may use to pay for qualified medical expenses. The City retains no assets or liabilities of the plan.

E. Health Reimbursement Account

The City established a Health Reimbursement Account (HRA) in accordance with Internal Revenue Code Section 105-106 for employees who participate in the City's health insurance program. Administration of the plan is handled by a third party administrator. The City contributes \$750 per year for each eligible employee to pay medical expenses which meet the guidelines of the City's HRA plan. Reimbursement dollars received by the employee are tax free and unspent dollars can be rolled over from year to year.

F. Other Postemployment Retirement Benefits (OPEB)

1. Plan Description

The City OPEB plan is a single-employer defined benefit "substantive plan" as understood by past practices of the employer and its employees. City employees are eligible for retiree medical benefits if they are eligible for retirement plan benefits under the provisions of the Texas Municipal Retirement System or the City of Midland Fireman's Relief and Retirement Fund. Generally, employees eligible for retiree medical benefits are employees who retire with 25 years of service at any age or those employees who retire at age 60 with 10 years of service. Eligible participants include eligible spouses. The eligible member shall not be gainfully employed if receiving benefits from this plan. The City OPEB plan does not issue a publicly available financial report.

Benefits are payable through a self-insured plan for eligible retirees and spouses until age 65. A Medicare Supplement Plan is available for eligible retirees and spouses who are age 65 and over.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

7. Employee Benefit Plans (continued)

F. Other Postemployment Retirement Benefits (OPEB) (continued)

2. Funding Policy

The City of Midland allows retired employees to enroll in the City's health insurance plan. The City pays a fixed dollar amount toward the cost of group health coverage, based upon length of service (as of September 30, 2013, the amounts were \$247 per month for the retiree with 25 or more years service, \$221 for less than 25 years service, \$184 for less than 20 years service, and \$110 for 10 years or less service) or will provide a fixed dollar amount toward the purchase of a Medicare supplement policy (as of September 30, 2013, the amount was \$30 per month) if the retiree is eligible for Medicare. City contributions for these postemployment retirement benefits are strictly discretionary and are financed on a pay-as-you-go basis. OPEB contributions during the year ended September 30, 2013 were \$580,890, and there were 351 retirees participating in the plan at that date. The retired employees are required to pay the balance of their respective health plan contributions or premiums to participate in either plan.

3. Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation.

	<u>OPEB</u>
Annual required contribution	\$5,387,901
Interest on net OPEB obligation	415,086
Adjustment to annual required contribution	(705,912)
Annual OPEB cost (expense)	<u>5,097,075</u>
Contributions made	580,890
Increase in net OPEB obligation	<u>4,516,185</u>
Net OPEB obligation – beginning of the year	<u>18,380,039</u>
Net OPEB obligation – end	<u>\$22,896,224</u>

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

7. Employee Benefit Plans (continued)

F. Other Postemployment Retirement Benefits (OPEB) (continued)

3. Annual OPEB Cost and Net OPEB Obligation (continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Costs</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$4,970,163	9.6%	\$4,492,264
2010	5,111,625	9.8%	\$9,102,094
2011	5,111,626	9.8%	\$13,686,836
2012	5,097,075	10.8%	\$13,380,039
2013	5,097,075	11.4%	\$22,896,224

Funded Status and Funding Progress

The date of the most recent actuarial valuation date is May 2012. As of September 30, 2012, the actuarial accrued liability for benefits was \$52,657,298, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$50,110,665, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 105%. Actuarial values of the program involve estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare costs trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

7. Employee Benefit Plans (continued)

F. Other Postemployment Retirement Benefits (OPEB) (continued)

Actuarial Methods and Assumptions

In the May 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.0 percent inflation rate and investment rate of return. The annual healthcare cost trend rate assumption is 11 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after seven years. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at September 30, 2012, was thirty years.

8. Leases

A. Operating Lease Receivables

The City enters in operating leases involving terminal space and other airport facilities at Midland International Airport. Additionally, the City has entered into an operating lease for use of and naming rights for the Security Bank Ballpark and Grande Stadium at the Scharbauer Sports Complex. Current year income for these leases was \$3,974,624 and \$411,997 for the Airport and Sports Complex, respectively. Minimum future rentals on noncancelable operating leases as of September 30, 2013 for each of the five subsequent fiscal years and in five-year increments thereafter are as follows:

Fiscal Year(s) Ending September 30	Airport Minimum Future Rentals	Sports Complex Minimum Future Rentals	Total Minimum Future Rentals
2014	\$ 1,769,438	\$ 348,790	\$ 2,118,228
2015	610,980	348,790	959,770
2016	383,198	348,790	731,988
2017	383,198	348,790	731,988
2018	387,502	298,815	686,317
2019–2023	503,630	800,767	1,304,397
2024–2028	546,675	146,250	692,925
2029–2033	585,416	-	585,416
2034–2038	4,821,070	-	4,821,070
Total	<u>\$ 9,991,107</u>	<u>\$ 2,640,992</u>	<u>\$ 12,632,099</u>

In general, the City's leasing arrangements for operating leases are as follows:

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

8. Leases (continued)

A. Operating Lease Receivables (continued)

Airline Exclusive Space and Joint Use Space

Scheduled airlines operating at Midland International Airport are required to sign a standard airline/airport use and lease agreement. These agreements allow the signatory airline the use of certain premises and facilities and the exercise of certain rights and privileges at the Midland International Airport in connection with the operation of an air transportation system.

Terminal building joint use and exclusive rates are currently \$20.50 per square foot per year (s.f.y.). The rate used to calculate the amount of rent to be paid by the airline to the City shall be reviewed annually and may be adjusted if the Airport's financial data for the Airport System Cost/Revenue indicates such need. In no event shall the square footage rate be less than \$20.50 per s.f.y.

All current airline lease agreements will terminate at midnight on January 31, 2014, unless terminated sooner according to various provisions within each agreement.

Fixed Base Operator (FBO) Leased Space

Currently, there are two Commercial Fixed Base Operator City-owned building/facility/land lease agreements between the Department of Airports and the existing FBOs.

The first lease agreement for properties located at Midland Airpark expires April 30, 2014. Rental rates for this lease vary by location with ground rental at \$0.05 per s.f.y. and building rentals from \$0.11 to \$1.13 per s.f.y. This agreement allows for rent to be adjusted annually, beginning January 1, 2009, to reflect changes in the Consumer Price Index (CPI).

The second lease is for ground rental at Midland International Airport (MAF). This lease expires December 31, 2037. Rental rates for this lease are currently at \$0.061 s.f.y. This lease provides for annual rental adjustments based on percentage increases in annual general aviation and military fuel sales. This lease also incorporates minimum base rental increases every five years throughout the term of this agreement. In no event will rental be adjusted below \$0.05 s.f.y.

Rental Car Facilities Lease Space

Car rental concessionaires operating at MAF are required to sign a standard Car Rental Concession agreement. These agreements guarantee minimum monthly/annual payments to the Airport and allow the concessionaire the use of certain

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

8. Leases (continued)

A. Operating Lease Receivables (continued)

Rental Car Facilities Lease Space (continued)

premises and the exercise of certain rights, privileges and uses therein, as necessary to provide car rental service on the property at the Airport.

Minimum annual guarantee amounts are reviewed annually and adjusted as follows: the minimum annual guarantee will be the greater of the base year, or 85% of the previous year's actual rent payments. In no event will the annual guarantee be lower than the base year. All Car Rental Concession agreements expire January 31, 2014.

Terminal Building Concession Lease Space

Restaurant and Gift Shop Concessionaires operating at MAF are required to sign a standard Concession agreement. These agreements guarantee minimum monthly/annual payments to the Airport and allow the concessionaire to use certain premises and exercise certain rights, privileges, and uses therein, as necessary to provide restaurant and gift shop services on the property at the Airport.

Minimum annual guarantee amounts are reviewed annually and adjusted as follows: the minimum annual guarantee will be the greater of the base year, or 85% of the previous year's actual rent payments. Minimum annual guarantees are subject to CPI adjustment every five years. In no event will the annual guarantee be lower than the base year. Restaurant and gift shop agreements expire September 30, 2019.

Scharbauer Sports Complex

1. Security Bank Ballpark Use Lease

The Security Bank Ballpark use lease is a lease between Midland Sports, Inc. and the City with an initial 20-year term beginning April 1, 2002, and ending March 30, 2022, with two 5-year options to renew. The lease is noncancelable during the initial 20-year term. The lease agreement is for rights to use Security Bank Ballpark and executive office space and requires a good faith effort to play 68 home games each year by a AA major league baseball franchise. The lease rate was \$4,160 per month, due on the first day of each month, until May 1, 2007 when the rate increased to \$4,165 per month. The lease rate increased to \$4,170 on May 1, 2012 and shall increase to \$4,175 and May 1, 2017. An additional lump- sum lease fee of \$50,000 per year is due on September 30 of each year for the first 15 years of the initial 20-year lease term. 15% of net concession sales is payable to the City during the term of the lease.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

8. Leases (continued)

A. Operating Lease Receivables (continued)

Scharbauer Sports Complex (continued)

2. Security Bank Ballpark Naming Rights

The Security Bank naming rights license agreement is an agreement between the City and Security Bank to name the baseball stadium at the Scharbauer Sports Complex Security Bank Ballpark. The full term of this agreement is 25 years and is divided into component units of 10 years and 5 years each. The first 10 years is the initial term, the next 5 years is the second term, and the subsequent terms shall consist of 2 terms of 5 years commencing at the end of the second term. The agreement requires payments of \$1,225,975, \$710,250, \$803,675, and \$909,350 during the initial through subsequent terms, respectively.

The agreement is cancelable any time during years 6 through 10 of the initial term upon payment of \$75,000 to the City and 1 year written notice of that intent to the City. Additionally, the agreement is cancelable at the end of the first term upon proper written notification to the City by Security Bank and payment of any additional license payments due during the term. The agreement is cancelable at any time during the subsequent terms of the agreement upon one year written notice with no penalties.

3. Grande Stadium Use Lease

The Grande Stadium, a football/soccer stadium, use lease is a noncancelable lease between Midland Independent School District (MISD) and the City for use of the football/soccer stadium. The stadium is to be the home stadium of all MISD football and soccer teams and may be used by MISD for other MISD events with the consent of the City. The lease term is 20 years, August 1, 2002 through July 31, 2022. Under the terms of the lease, MISD is to pay the City \$50,000 per year rent plus a \$30,000 per year operating contribution plus 50% of net concession revenue. Subsequent to the initial five-year period of the lease and at every subsequent five-year period, the annual rent shall be adjusted based upon the change in the CPI - All Urban Consumers, All Items, Dallas - Fort Worth Area.

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CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

8. Leases (continued)

A. Operating Lease Receivables (continued)

Scharbauer Sports Complex (continued)

4. Grande Communications Naming Rights

The Grande Communications naming rights license agreement is an agreement between the City and Grande Communications - ClearSource, Inc. to name the football/soccer stadium at the Scharbauer Sports Complex Grande Communications Stadium. The full term of the agreement is 25 years. The agreement required payment of \$30,000 on or before December 1, 2002 and \$48,750 per year for the remaining term of the agreement. These payments are due on June 1 of each year with the first payment due June 1, 2003, and the final payment due on June 1, 2026. The agreement is noncancelable during the term of the agreement, except in the event of default as defined in the agreement, by either party.

B. Capital Leases

The City has entered into an agreement with Midland County Fresh Water Supply District (Water District) to provide wholesale water delivery service from the T-Bar well field through the development of wells and related pipeline infrastructure to the City. This agreement qualifies as a capital lease for accounting purposes and the asset is recorded on the cost basis as the date of pipeline completion. A summary of assets acquired through capital lease is as follows:

Infrastructure	\$196,576,160
Less: Accumulated amortization	<u>(1,638,134)</u>
	\$194,938,026

The following is a summary of the capitalized lease transaction for the City for the year ended September 30, 2013:

	Balance at September 30, <u>2012</u>	Capital Lease <u>Commitments</u>	Amortization of Capital <u>Leases</u>	Balance at September 30, <u>2013</u>
Water and Sewer Fund \$ \$	-	\$ 196,576,160	\$ (744,517)	\$ 197,320,677

The structuring of the debt by the Water District is included as a part of the wholesale water deliver service contract. The structuring of the debt results in a negative amortization for Fiscal Year 2013.

(continued)

CITY OF MIDLAND, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

8. Leases (continued)

B. Capital Leases (continued)

Future minimum lease obligations and the net present value of these payments as of September 30, 2013, were as follows:

Fiscal Year Ending September 30:	
2014	7,653,032
2015	7,653,032
2016	7,653,032
2017	7,653,032
2018	7,653,032
2019-2023	38,265,162
2024-2028	41,267,562
2029-2033	128,337,162
2034-2038	128,337,162
2039-After	77,002,299
Total minimum lease payments	<u>451,474,509</u>
Less Interest at 5.02%	<u>(254,153,832)</u>
Present Value	<u><u>197,320,677</u></u>

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

9. Long-Term Debt

The following is a summary of debt transactions, including current portion, for the year ended September 30, 2013:

	Balance at October 1, 2012	Increase	Decrease	Balance at September 30, 2013	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 3,245,864	\$ -	\$ (1,118,125)	\$ 2,127,739	\$ 967,154
Certificates of Obligation	33,835,000		(1,610,000)	32,225,000	1,920,000
Plus Deferred Amounts for issuance premiums	964,227		(103,451)	860,776	95,637
Less Deferred Amounts on Refunding	(3,109)	-	1,542	(1,567)	(929)
Total Bonds Payable	38,041,982	-	(2,830,034)	35,211,948	2,981,862
Notes Payable	285,000	-	(90,000)	195,000	95,000
Compensated Absences Liability	5,472,242	5,004,799	(4,631,776)	5,845,265	4,029,051
Other Postemployment Benefits Payable	15,481,348	4,253,321	(457,918)	19,276,751	-
Self-Insurance Liability	2,811,633	8,471,411	(8,217,366)	3,065,678	1,207,798
Total Governmental Activity					
Long-term Debt	\$ 62,092,205	\$ 17,729,531	\$ (16,227,094)	\$ 63,594,642	\$ 8,313,711
Business-Type Activities:					
Water and Sewer:					
Revenue Bonds	\$ 10,955,000	\$ -	\$ (10,955,000)	\$ -	\$ -
Certificates of Obligation	63,115,000	-	(1,765,000)	61,350,000	2,135,000
Plus Deferred Amounts for issuance premiums	2,107,949	-	(141,997)	1,965,952	148,730
Capital Lease Obligations	-	197,320,677	-	197,320,677	-
Airport:					
General Obligation Refunding Bonds	5,990,000	-	(1,390,000)	4,600,000	1,460,000
Less Deferred Amounts on Refunding	(2,513)	-	1,136	(1,377)	(802)
Sports Complex:					
General Obligation Refunding Bonds	21,865,000	-	(1,910,000)	19,955,000	2,010,000
Less Deferred Amounts on Refunding	(801,925)		156,765	(645,160)	(141,126)
Nonmajor Fund:					
General Obligation Refunding Bonds	194,136	-	(66,875)	127,261	57,846
Plus Deferred Amounts on Refunding	2,027	-	(990)	1,037	606
Total Bonds Payable	103,424,674	197,320,677	(16,071,961)	284,673,390	5,670,254
Water and Sewer Fund:					
Compensated Absences Liability	296,652	309,498	(314,219)	291,931	196,031
Other Postemployment Benefits Payable	1,466,732	431,215	(79,856)	1,818,091	-
Sanitation Fund:					
Closure/postclosure care	11,553,189	971,108	-	12,524,297	-
Compensated Absences Liability	99,481	173,821	(171,820)	101,482	78,895
Other Postemployment Benefits Payable	763,214	231,474	(29,149)	965,539	-
Airport Fund:					
Compensated Absences Liability	214,783	165,919	(175,604)	205,098	140,372
Other Postemployment Benefits Payable	510,871	141,775	(13,967)	638,679	-
Nonmajor Fund:					
Compensated Absences Liability	66,303	21,436	(15,179)	72,560	45,137
Other Postemployment Benefits Payable	157,874	39,290	-	197,164	-
Total Business-Type					
Activity Long-term Debt	\$ 118,553,773	\$ 199,806,213	\$ (16,871,755)	\$ 301,488,231	\$ 6,130,689

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

9. Long-Term Debt (continued)

Long-term debt at September 30, 2013 consists of the following issues:

	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Principal Outstanding</u>	<u>Annual Principal Installments</u>	<u>Call Provisions</u>
General obligation bonds serviced by tax revenues:						
General Obligation Refunding Bonds, Series 2009	\$ 7,708,926	3.00%	2016	\$ 2,127,739	\$ 570,857-967,154	1
Total				<u>\$ 2,127,739</u>		
Certificates of obligation serviced by tax revenues:						
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2003	\$ 4,950,000	3.60-4.00%	2018	\$ 2,055,000	\$ 375,000-450,000	3
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2005	4,950,000	3.50-4.00%	2020	2,710,000	345,000-435,000	4
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2007	6,910,000	4.00-5.00%	2027	5,580,000	290,000-530,000	6
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2009	9,855,000	3.00-4.25%	2029	8,530,000	410,000-700,000	8
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2012	13,590,000	3.00-4.25%	2032	13,350,000	500,000-950,000	9
Total				<u>\$ 32,225,000</u>		
Notes payable:						
HUD Section 108 Note Payable	\$ 1,045,000	6.17-6.25%	2015	\$ 195,000	\$ 95,000-100,000	2
General obligation bonds serviced by Enterprise Fund revenues:						
Airport Fund:						
General Obligation Refunding Bonds, Series 2006A	\$ 13,160,000	4.00-5.00%	2016	\$ 4,600,000	\$ 1,460,000-1,605,000	1
Scharbauer Sports Complex Fund:						
General Obligation Refunding Bonds, Series 2006B	28,970,000	4.00-5.00%	2022	19,955,000	835,000-2,800,000	5
Nonmajor Fund:						
General Obligation Refunding Bonds, Series 2009	461,074	3.00%	2016	127,261	34,143-57,846	1
Total				<u>\$ 24,682,261</u>		
Certificates of obligation serviced by Enterprise Fund revenues:						
Water and Sewer Fund:						
Combination Tax and Revenue Refunding Bonds, Series 2007	\$ 4,995,000	4.00%	2016	\$ 1,680,000	\$ 535,000-585,000	1
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2007	48,595,000	4.00-5.00%	2037	44,090,000	1,015,000-3,035,000	7
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2012	15,855,000	3.00-4.25%	2032	15,580,000	585,000-1,110,000	9
Total				<u>\$ 61,350,000</u>		

(continued)

CITY OF MIDLAND, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

9. Long-Term Debt (continued)

Call provisions for long-term debt of the City are as follows:

1. The bonds are not optional for redemption prior to maturity.
2. The aggregate principal amount of the note or any unpaid principal amount may be defeased in whole or in part as of any principal due date.
3. Callable as a whole or in part, bonds maturing 2012 through 2018, on March 1, 2011, or on any interest payment date thereafter at par plus accrued interest.
4. Callable as a whole or in part, bonds maturing 2015 through 2020, on March 1, 2014, or on any interest payment date thereafter at par plus accrued interest.
5. Callable as a whole or in part, bonds maturing 2017 through 2022, on March 1, 2016, or on any interest payment date thereafter at par plus accrued interest.
6. Callable as a whole or in part, bonds maturing 2018 through 2027, on March 1, 2017, or on any interest payment date thereafter at par plus accrued interest.
7. Callable as a whole or in part, bonds maturing 2018 through 2037, on March 1, 2017, or on any interest payment date thereafter at par plus accrued interest.
8. Callable as a whole or in part, bonds maturing 2020 through 2029, on March 1, 2019, or on any interest payment date thereafter at par plus accrued interest.
9. Callable as a whole or in part, bonds maturing 2022 through 2032, on March 1, 2021, or on any interest payment date thereafter at par plus accrued interest.

The annual requirements to amortize debt outstanding as of September 30, 2013, including interest payments of approximately \$51,762,616, follow. Due to the nature of the self-insurance liability and the compensated absences liability, annual requirements to amortize such obligations are not determinable and have not been included in the following summary. The City intends to retire all of the long-term debt associated with governmental activities, other than bonds payable and certificates of obligation, from General Fund revenues as it has done in prior years. Debt associated with business-type activities will be retired with revenues generated by those activities.

CITY OF MIDLAND, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

9. Long-Term Debt (continued)

City of Midland, Texas								
Debt Service Requirements to Maturity								
September 30, 2013								
	Supported by General Government			Supported by Enterprise Funds				
Fiscal Year Ending September 30,	General Obligation Bonds, Certificates of Obligation and Notes Payable			General Obligation Bonds, Certificates of Obligation and Notes Payable			Total All Debt Service Requirements	
	Principal	Interest	Total	Principal	Interest	Total		
2014	\$ 2,982,154	\$ 1,253,110	\$ 4,235,264	\$ 5,662,846	\$ 3,787,676	\$ 9,450,522	\$ 13,685,786	
2015	2,655,857	1,154,288	3,810,145	5,909,143	3,519,222	9,428,365	13,238,510	
2016	2,659,728	1,059,042	3,718,770	6,180,272	3,244,255	9,424,527	13,143,297	
2017	2,150,000	975,036	3,125,036	4,150,000	2,998,101	7,148,101	10,273,137	
2018	2,230,000	891,511	3,121,511	4,335,000	2,810,851	7,145,851	10,267,362	
2019	1,850,000	817,418	2,667,418	4,515,000	2,634,756	7,149,756	9,817,174	
2020	1,925,000	746,791	2,671,791	4,720,000	2,430,936	7,150,936	9,822,727	
2021	1,550,000	677,479	2,227,479	4,950,000	2,198,005	7,148,005	9,375,484	
2022	1,615,000	614,969	2,229,969	3,080,000	2,015,018	5,095,018	7,324,987	
2023	1,675,000	549,336	2,224,336	2,340,000	1,901,434	4,241,434	6,465,770	
2024	1,750,000	478,719	2,228,719	2,450,000	1,795,281	4,245,281	6,474,000	
2025	1,825,000	402,804	2,227,804	2,565,000	1,678,481	4,243,481	6,471,285	
2026	1,900,000	327,099	2,227,099	2,685,000	1,560,656	4,245,656	6,472,755	
2027	1,975,000	253,146	2,228,146	2,800,000	1,446,593	4,246,593	6,474,739	
2028	1,495,000	185,596	1,680,596	2,915,000	1,327,431	4,242,431	5,923,027	
2029	1,555,000	126,425	1,681,425	3,040,000	1,202,106	4,242,106	5,923,531	
2030	885,000	82,722	967,722	3,175,000	1,068,991	4,243,991	5,211,713	
2031	920,000	51,113	971,113	3,320,000	922,381	4,242,381	5,213,494	
2032	950,000	17,219	967,219	3,475,000	767,494	4,242,494	5,209,713	
2033	-	-	-	2,485,000	626,125	3,111,125	3,111,125	
2034	-	-	-	2,615,000	498,625	3,113,625	3,113,625	
2035	-	-	-	2,745,000	364,625	3,109,625	3,109,625	
2036	-	-	-	2,885,000	223,875	3,108,875	3,108,875	
2037	-	-	-	3,035,000	75,875	3,110,875	3,110,875	
	\$ 34,547,739	\$ 10,663,823	\$ 45,211,562	\$ 86,032,261	\$ 41,098,793	\$ 127,131,054	\$ 172,342,616	

The City issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. The City is restricted by City Charter to a maximum of \$2.00 on each \$100.00 of appraised valuation. The City's current tax levy is \$0.057039 per \$100.00 valuation for the payment of debt. The Constitution and Statutes of the State of Texas and the Charter of the City of Midland do not provide for a legal debt limit. However, a limit of 8% of assessed value has been recommended by the Finance Advisory Board of the City of Midland and has been adopted by the City Council as a guideline of safe debt limit. This guideline provides the City with a debt margin of \$497,130,290.

The City has also issued certificates of obligation to provide funds for the acquisition and construction of major capital facilities owned and operated by the enterprise funds of the City. These certificates of obligation are supported by revenues of the respective enterprise funds and appropriately recorded as liabilities of the appropriate fund. There are a number of restrictions and requirements contained in the various indentures. Management believes that the City is in compliance with such restrictions and requirements at September 30, 2013.

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

9. Long-Term Debt (continued)

On June 1, 1996, the City issued \$8,730,000 of City of Midland, Texas (Midland and Martin Counties), Waterworks and Sewer System Revenue Bonds, Series 1996 for the purpose of financing the expansion of and improvements to the City's primary wastewater treatment plant and funding an amount to be held in reserve. The bonds mature over a 20-year period and have interest rates ranging from 2.85% to 4.85%. Annual debt service requirements on this issue (including principal and interest) range from \$596,077 to \$673,453. All issues of these bonds subsequent to the May 2007 payment of \$425,000 have been defeased by placing proceeds from the City of Midland, Texas (Midland and Martin Counties), Combination Tax and Revenue Refunding Bonds, Series 2007 in an irrevocable trust to provide for all future principal and interest payments on the bonds. As of September 30, 2013, there is \$1,830,000 in aggregate of the refunded principal of these bonds outstanding, with interest rates ranging from 4.80% to 4.85%.

On November 27, 2000, the City entered into a contract for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974, as Amended, 42 U.S.C., Section 108 in the amount of \$1,045,000 for the purpose of paying costs of aiding in the establishment of an Advanced Technology Center to provide secondary and post secondary education opportunities using innovative technology and pay professional services rendered in relation to such project and the financing thereof. The terms of the contract require 15 annual principal payments with interest payments made semiannually. Interest payments from the date of the contract through August 9, 2001 were at a variable rate of the London Interbank Offered Rate plus 20 basis points. At August 9, 2001, Trust Certificates guaranteed by the Secretary of Housing and Urban Development were sold by the United States Department of Housing and Urban Development and interest rates on the outstanding maturities under the contract were fixed at rates ranging from 3.66% to 6.25%. Annual debt service requirements (including principal and interest) range from \$79,297 to \$109,476. All required payments made under the contract will be made using Water and Sewer Fund revenues. As of September 30, 2013, there is \$195,000 in aggregate principal of this loan outstanding.

On February 15, 2003, the City issued \$4,950,000 of Tax and Limited Pledge Revenue Certificates of Obligation, Series 2003 for the purpose of paying contractual obligations to be incurred for construction, improvement, and acquisition of public works and equipment for traffic signage and signalization, streets, including paving and drainage, park improvements, Midland Center Facilities improvements, downtown Midland improvements (curb and gutter construction and improvement, landscape improvements, and traffic signs and signalization), and paying for professional services rendered in relation to such projects and the financing of such projects. The bonds mature over a 15-year period and have interest rates ranging from 3.00% to 4.00%.

On February 15, 2005, the City issued \$4,950,000 of Tax and Limited Pledge Revenue Certificates of Obligation, Series 2005 for the purpose of paying contractual obligations to be incurred for construction, improvement, and acquisition of public works and equipment for public safety equipment, streets, including paving, drainage, traffic signage and signalization, park improvements, improvements to City facilities (including fire station site study and design, Martin Luther King, Jr. Community Center improvements, Doug Russell Pool Bathhouse renovations,

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

9. Long-Term Debt (continued)

and HVAC upgrades at City Hall) downtown Midland improvements (including Downtown Master Plan development and streetscape improvements), and paying for professional services rendered in relation to such projects and the financing of such projects. The bonds mature over a 15-year period and have interest rates ranging from 3.50% to 4.00%.

On February 1, 2006, the City entered into a refunding transaction whereby \$13,160,000 of City of Midland, Texas General Obligation Refunding Bonds, Series 2006A, with interest rates ranging from 4.00% to 5.00%, were issued to call for redemption all outstanding Airport Subordinate Lien Revenue and Tax Certificates of Obligation, Series 1996 maturities subsequent to the March 1, 2006 payment date, principal amount, \$13,415,000, on February 23, 2006, and as such, these 1996 maturities are not included in the City's basic financial statements. The refunding bonds mature over a ten-year period and have annual debt service requirements (including principal and interest) ranging from \$366,277 to \$1,642,050. The refunding transaction resulted in a debt service savings of \$1,346,451 and a present value benefit of \$1,069,423 to the City. The difference between the reacquisition price and the net carrying amount of the old debt was \$461,208. This amount was deferred and is being amortized as a component of interest expense over the life of the refunding bonds, which is the same as the life of the refunded debt.

On February 1, 2006, the City entered into a refunding transaction whereby \$28,970,000 of City of Midland, Texas General Obligation Refunding Bonds, Series 2006B, with interest rates ranging from 3.40% to 5.00%, were issued to advance refund City of Midland, Texas, Tax and Limited Pledge Revenue Certificates of Obligation Series 2000, dated March 1, 2000, maturing on March 1 in each of the years 2011 through 2030, inclusive, and aggregating in the principal amount \$30,250,000. As a result, the refunded bonds are considered to be defeased and the liability is not included in the City's basic financial statements. The refunding bonds mature over a 16-year period from March 1, 2007 through March 1, 2022, and have annual debt service requirements (including principal and interest) ranging from \$813,169 to \$2,907,243.

On January 15, 2007, the City entered into a refunding transaction whereby \$4,995,000 of City of Midland, Texas (Midland and Martin Counties), Combination Tax and Revenue Refunding Bonds, Series 2007 with interest rates ranging from 4.00% to 4.25%, were issued to call for redemption all outstanding Waterworks and Sewer System Revenue Bonds, Series 1996 maturities subsequent to the May 1, 2007 payment date, principal amount, \$5,245,000 on February 23, 2007, and as such, these 1996 maturities are not included in the City's basic financial statements. The refunding bonds mature over a ten-year period and have annual debt service requirements (including principal and interest) ranging from \$565,527 to \$608,400. The refunding transaction resulted in a debt service savings of \$596,283 and a present value benefit of \$116,970 to the City.

On January 15, 2007, the City issued \$55,505,000 of City of Midland, Texas (Midland and Martin Counties), Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007 for the purpose of financing improvements and expansion to the water and sewer system, parks, streets, traffic systems, fire stations, and City facilities, and to pay the costs associated with the issuance of the certificates. The bonds mature over a 30-year period and have interest rates

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

9. Long-Term Debt (continued)

ranging from 4% to 5%. Annual debt service requirements on this issue (including principal and interest) range from \$3,108,875 to \$4,289,426.

On February 1, 2009, the City issued \$9,855,000 of City of Midland, Texas (Midland and Martin Counties), Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009 for the purpose of paying contractual obligations to be incurred for construction, improvement, and acquisition of public works and equipment, improving, renovating and equipping existing City-owned buildings, including the Martin Luther King Community Center, the Midland Municipal Court Building, and the Midland Senior Center Building, acquiring, constructing, equipping and improving parks and park facilities within the City, including the Jenna Welch Nature Study Center, constructing and improving streets, including paving, drainage, traffic signage, and signalization, and paying professional services rendered in relation to such projects and the financing thereof. The bonds mature over a 20-year period and have interest rates ranging from 3% to 4.25%. Annual debt service requirements on this issue (including principal and interest) range from \$711,563 to \$716,555.

On May 1, 2009, the City entered into a refunding transaction whereby \$8,170,000 of City of Midland, Texas (Midland and Martin Counties), General Obligation Refunding Bonds, Series 2009 with interest rates ranging from 2.5% to 3%, were issued to redeem the following:

City of Midland, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 1997, dated February 15, 1997, scheduled to mature on March 1 in each of the years 2010 through 2012, inclusive, aggregating in principal amount \$1,215,000, and called for redemption on June 3, 2009 at the price of par plus accrued interest to the date of redemption; and

City of Midland, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 1998, dated March 1, 1998, scheduled to mature on March 1 in each of the years 2010 through 2013, inclusive, aggregating in principal amount \$725,000, and called for redemption on June 3, 2009 at the price of par plus accrued interest to the date of redemption; and

City of Midland, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 1999, dated February 15, 1999, scheduled to mature on March 1 in each of the years 2010 through 2014, inclusive, aggregating in principal amount \$2,025,000, and called for redemption on June 3, 2009 at the price of par plus accrued interest to the date of redemption; and

City of Midland, Texas, Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001, dated February 15, 2001, scheduled to mature on March 1 in each of the years 2010 through 2016, inclusive, and aggregating in principal amount \$4,130,000, and called for redemption on June 3, 2009 at the price of par plus accrued interest to the date of redemption; and

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

9. Long-Term Debt (continued)

As such, these maturities are not included in the City's basic financial statements. The refunding bonds mature over a eight-year period and have annual debt service requirements (including principal and interest) ranging from \$178,817 to \$1,706,888. The refunding transaction resulted in a debt service savings of \$424,744 and a present value benefit, economic gain, of \$445,184 to the City.

On January 15, 2012, the City issued \$29,445,000 of City of Midland, Texas (Midland and Martin Counties), Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012 for the purpose of construction, improvement, and acquisition of public works and equipment, to wit: acquiring and installing a voice and data communication system for public service, including police and fire departments, improving, constructing and equipping fire fighting facilities, improving, constructing and equipping park and recreational facilities, improving and equipping the City's informational technology system, constructing and improving streets, including drainage, landscaping, curbs, gutters, sidewalks, signage and traffic signalization incidental thereto and the acquisition of land and rights-of-ways therefor, improving and extending the City's water and sewer system and paying professional services rendered in relation to such projects and the financing thereof. The bonds mature over a 20-year period and have interest rates ranging from 3% to 4.25%. Annual debt service requirements on this issue (including principal and interest) range from \$2,096,756 to \$2,104,525.

10. Restricted Assets

Certain resources of the City are classified as restricted assets on the statement of net position and balance sheet because their use is limited by applicable bond covenants or City ordinance.

11. Interfund Transactions

Interfund payables, receivables and advances at September 30, 2013 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Advance to</u>	<u>Advance from</u>	<u>Notes Receivable</u>	<u>Notes Payable</u>
Major fund:						
General Fund	\$ 69,194	\$ -	\$ 843,047	\$ -	\$ -	\$ -
Enterprise Fund:						
Airport Fund	-	58,560	-	-	-	-
Nonmajor Funds:						
Special Revenue Funds:						
Community Development Fund	-	10,634	-	-	-	-
Enterprise Fund:						
Golf Course Fund	-	-	-	843,047	-	1,223,647
Internal Service Fund:						
Garage Fund	-	-	-	-	1,223,647	-
Total	<u>\$ 69,194</u>	<u>\$ 69,194</u>	<u>\$ 843,047</u>	<u>\$ 843,047</u>	<u>\$ 1,223,647</u>	<u>\$ 1,223,647</u>

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

11. Interfund Transactions (continued)

The advance to the Golf Course Fund is related to Golf Course Fund debt service and is to be repaid from Golf Course Player Facility Charge revenues upon retirement of the Golf Course Fund debt associated with the General Obligation Refunding Bonds, Series 2009.

The note payable from the Golf Course Fund to the Garage Fund was generated in order to make capital improvements to Hogan Park Golf Course. The note is interest bearing and is to be repaid as revenue becomes available from a Golf Course Player Facility Charge instituted specifically for capital improvements of the Golf Course.

Interfund transfers during the year ended September 30, 2013 were as follows:

<u>Fund/Purpose of Transfer</u>	<u>Transfer From</u>	<u>Transfer To</u>
Major governmental funds:		
General Fund:		
Nondepartmental services	\$ -	\$ 750,000
Direct cost allocation	-	4,293,341
Sports complex support	565,834	-
Debt Service Fund:		
Section 108 loan servicing	-	107,584
Nonmajor governmental funds:		
Special Revenue Fund:		
Hotel-Motel Fund – direct cost allocation	26,813	-
Capital Projects Fund:		
Major proprietary funds:		
Enterprise funds:		
Water and Sewer Fund:		
Nondepartmental services	750,000	-
Direct cost allocation	1,388,229	-
Section 108 loan - debt service	107,584	-
Sanitation Fund – direct cost allocation	537,362	-
Airport Fund – direct cost allocation	1,368,159	-
Sports Complex Fund:		
Direct cost allocation	360,393	-
Sports complex support	-	565,834
Nonmajor proprietary funds:		
Golf Course Fund:		
Direct cost allocation	103,341	-
Internal Service Funds:		
Garage Fund – direct cost allocation	479,031	-
Warehouse Fund – direct cost allocation	30,013	-
Totals	<u>\$ 5,716,759</u>	<u>\$ 5,716,759</u>

The interfund transfers of \$565,834 to the Sports Complex Fund alleviated cash flow deficits in Fiscal Year 2013.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

12. Status of Capital Grants

In July 2012, the City accepted A.I.P. Grant No. 3-48-0150-53-12 in the amount of \$2,936,924 to be used for the payment of cost associated with the Reconstruct Executive Apron Area B Project.

In August 2013, the City accepted A.I.P. Grant No. 3-48-0150-54-13 in the amount of \$3,404,500 to be used for the payment of cost associated with seven projects- The Airfield Lighting Cabling Replacement and Airfield Signage, Phase 1 with an estimated cost of \$90,000; Rehabilitate Entrance Road Pavement and Guidance Signage, Phase 1 with an estimated cost of \$87,300; Rehabilitate Emergence Perimeter Road and Access Gates with an estimated cost of \$688,351; Airfield Security Access Control Gate, Phase 1 with an estimated cost of \$27,000; Construct Runway 16R Run-up Apron, Phase 1 with an estimated cost of \$82,800; Wildlife Hazard Management Plan with an estimated cost of \$19,397 and the Northwest Taxilane Extension with an estimated cost of \$2,409,652.

13. Contingent Liabilities

The City participates in numerous federally assisted programs, on both a direct and state pass-through basis, as well as on a service-provider basis. Principal among these are Community Development Block Grants, Airport Improvement Program Grants, and various construction and capital acquisition grants.

In connection with these grants, the City is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives, including audits under the "single audit" concept and compliance examinations, which build upon such audits.

In the opinion of management, the City has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, if any, the City expects the resulting liability to be immaterial.

The City appealed a Class I classification of a waste pit by the Texas Water Commission Waste Classification Group to the Environmental Protection Agency (E.P.A.). The E.P.A. denied the City's appeal and upheld the Class I classification of the waste pit. Subsequently, the City applied to the Texas Natural Resource Conservation Commission (T.N.R.C.C.) for permission to close the waste pit in place. The application to close the waste pit in place was approved and closure was completed and approved by T.N.R.C.C. in June 1997. The City has properly recorded the property deed and must inspect the waste pit quarterly through June 1999 and annually thereafter.

The City has \$8.75 million in interest free forgivable loans as part of economic development agreements with the MDC for various infrastructure construction projects. The City anticipates that the terms of the agreement will be satisfied and repayment will not be required.

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

14. Risk Management

The City is exposed to various risks of loss related to torts: environmental or eminent domain claims; civil rights claims; equal employment opportunity claims; wage and hour claims; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical and dental claims of employees and their dependents; and natural disasters. The City maintains fire and extended coverage insurance for City buildings, furnishings, and computer equipment. This coverage provides replacement cost coverage with an annual limit of \$218,911,830, and a \$25,000 per occurrence deductible.

The City also maintains the following other insurance coverage: Law Enforcement Liability coverage with a \$25,000 per occurrence deductible, \$3,000,000 per claim limit and a \$6,000,000 aggregate annual limit; Errors and Omissions coverage with a \$25,000 per occurrence deductible, \$3,000,000 per claim limit and a \$6,000,000 aggregate annual limit; Healthcare Professional Liability Protection for the Health Department with a \$1,000,000 per occurrence, \$2,000,000 aggregate limit with a \$5,000 per occurrence deductible; Airport Liability coverage for Personal Injury Liability and Malpractice Aggregate Liability coverage with a \$10,000,000 per occurrence and annual aggregate with \$25,000 per occurrence deductible for each type of coverage, Ground Hangar Keepers Legal Liability coverage with a \$10,000,000 per occurrence and annual aggregate with \$5,000 deductible, and \$50,000 Fire Damage coverage; Special Events coverage with a \$1,000,000 per occurrence and \$2,000,000 annual aggregate; Medical claims stop-loss coverage for claims exceeding \$175,000 per occurrence with an annual aggregate reinsurance limit on claims in excess of \$9,316,110 and Specific Excess and Aggregate Excess Workers' Compensation coverage for claims in excess of \$450,000 per occurrence up to \$1,000,000 per occurrence, which is the statutory employer's maximum liability per occurrence.

No settlements during each of the last three years have exceeded commercial coverage purchased. Other than the above coverages provided by insurance, the City retains all risk of loss.

The City charges interfund premiums based primarily upon the insured funds' claims experience and exposure, which are reported as insurance expenditure/expense in the funds charged and operating revenue in the self-insurance funds, which are accounted for as internal service funds. The City accrues all losses and claims if information available before the financial statements are issued indicates that it is probable that an asset has been impaired or a liability incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Claims incurred but not reported (IBNR) are also accrued if it is probable that a claim will be asserted and the loss can be reasonably estimated. The accrued liabilities for IBNR in the General Liability and Workers' Compensation Self-Insurance Funds are estimates calculated by an actuary. The accrued liability for IBNR in the Medical/Dental Self-Insurance Fund is based on management's estimate.

The City maintains a Workers' Compensation Self-Insurance Fund. The purpose of this fund is to pay workers' compensation claims that are outside the limitations of purchased coverage from assets of the fund.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

14. Risk Management (continued)

The City also maintains a Medical/Dental Self-Insurance Fund. The purpose of this fund is to pay medical and dental claims that are outside the limitations of purchased coverage, for City of Midland employees and their covered dependents and to minimize the cost of medical and dental insurance to the City.

The City also maintains a General Liability Self-Insurance Fund to pay general liability claims, other than those covered by purchased insurance against the City from accumulated assets of the Fund. The Texas Tort Claims Act provides for statutory limits of \$250,000 per person and \$500,000 per occurrence for bodily injury or death and \$100,000 per occurrence for property damage in liability claims against a municipality.

The claims liabilities for self-insurance funds are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred and the amount of the loss can be reasonably estimated at the date of the financial statements.

Changes in the claims liability amounts for each of the self-insurance funds in the fiscal years ended September 30, 2012 and 2013 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2011-2012				
Workers' Compensation	\$ 1,000,186	\$ 709,724	\$ 599,717	\$ 1,110,193
Medical/Dental	640,807	6,886,923	6,891,443	636,287
General Liability	1,318,150	56,419	309,416	1,065,153
Total	<u>\$ 2,959,143</u>	<u>\$ 7,653,066</u>	<u>\$ 7,800,576</u>	<u>\$ 2,811,633</u>
2012-2013				
Workers' Compensation	\$ 1,110,193	\$ 696,274	\$ 624,937	\$ 1,181,530
Medical/Dental	636,287	7,326,921	7,293,726	669,482
General Liability	1,065,153	469,594	320,081	1,214,666
Total	<u>\$ 2,811,633</u>	<u>\$ 8,492,789</u>	<u>\$ 8,238,744</u>	<u>\$ 3,065,678</u>

15. Commitments

The City leases water rights that represent approximately 19% of the City's water sources. One of the leases renewed in August 2008 which require payment at a constant five-year rate of \$0.50 per 1000 gallons. The second, smaller lease was renewed in February 2011 and requires payment at a constant five-year rate of \$0.40 per 1000 gallons. Total royalty paid amounted to \$697,329 in Fiscal Year 2013.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

15. Commitments (continued)

The City owns property that serves as a wastewater disposal site. There are approximately 6,000 acres at two sites for this purpose.

The Colorado River Municipal Water District (the CRMWD) was issued a permit in May 1985 by the Texas Commission on Environmental Quality (formerly, Texas Natural Resource Conservation Commission) to construct a 554,000-acre-feet dam and reservoir on the Colorado River and impound water in Coleman, Concho and Runnels Counties, Texas. This project is known as the O. H. Ivie Reservoir (the Project).

The City of Midland entered into a contract with CRMWD in September 1985, under which the City obtained a 16.54% interest in the Project's water rights. CRMWD agreed to provide the City a source of water from O. H. Ivie Reservoir limited annually to 16.54% of the safe yield of the reservoir. The City agreed to pay CRMWD a sum equal to 16.54% of the cost of the Project plus annual operating costs.

CRMWD is responsible for the care, operation, and maintenance of the Project. The City does not have an ownership interest in the assets of the Project or CRMWD nor is it directly liable for the revenue bonds issued by CRMWD to finance the Project. The City's share of project costs is expensed as water rights in the Water and Sewer Fund. Payments by the City to CRMWD are made solely from the gross revenues of the City's water and sewer system. The terms of the City-CRMWD contracts shall continue and be effective during the entire useful life of the Project.

In November 1985, CRMWD issued \$53,590,000 of revenue bonds with interest rates ranging from 8.25% to 11.25%. The City's operating cost to reimburse CRMWD for the Project costs is estimated to approximate \$900,000 per year through the year 2016 with expected payments totaling \$26,000,000.

The annual required payment as specified above will be reduced by an amount equal to 16.54% of the estimated investment earnings attributable to the proceeds from the sale of the revenue bonds. The City paid \$791,642 to CRMWD in Fiscal Year 2013, as the City's 16.54% interest in the Project costs. This amount is recorded as an expense in the City's financial statements for the year ended September 30, 2013.

CRMWD and the City of Midland entered into a water transmission contract on June 29, 1988, which provides for the construction and operation of raw water transmission pipelines, pump stations, and other facilities required to transmit water from O.H. Ivie Reservoir to Midland.

The water transmission system was constructed with the proceeds of \$115,000,000 Water System Revenue Bonds (Water Transmission Facilities Project), Series 1991 sold August 6, 1991, \$9,000,000 Water System Revenue Bonds (Water Transmission Facilities Project), Series 1994 sold September 27, 1994, and \$3,500,000 of Colorado River Municipal Water District cash contributions.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

15. Commitments (continued)

The system consists of a main pump station with five intermediate booster pump stations; each includes pumping units, electric motor controls and appurtenances, a steel- or earth-constructed surge tank and pipelines necessary to complete the Project. Electrical transmission lines sufficient to service the main pump station and booster pumps were constructed from suitable generating sources. The pipeline is approximately 158 miles long with lines ranging in diameter from 53 to 60 inches.

The water transmission system was constructed in three segments:

Segment 1 is capable of delivering up to 90 million gallons per day to a junction point near San Angelo.

Segment 2 is capable of delivering up to 65 million gallons per day to a junction point near Big Spring.

Segment 3 is capable of delivering up to 55 million gallons per day to Odessa/Midland termination point.

The City of Midland shared in the total construction costs at the rate of 22.222% of Segment 1, 30.769% of Segment 2, and 36.364% of Segment 3. The City also shared 22.222% of the total construction costs of the O. H. Ivie Pump Station Substructure. Operation and maintenance of the system is provided for by contractual agreements executed between the parties. The City paid \$2,630,890 to CRMWD in 2013, pursuant to this agreement.

The City's estimated annual commitment for the pipeline construction under this contract is \$2.76 million per year for a 30-year period beginning in 1994.

The City has active construction projects as of September 30, 2013. Total commitments for ongoing capital projects are composed of the following:

Municipal Court	\$	1,051,200
General Facilities		2,231,847
Streets and Drainage		14,579,235
Parks and Recreation		408,965
Technology		1,720,455
Police		396,660
Fire		4,231,017
Water and Sewer		6,660,090
Sanitation		795,986
Airport		7,407,573
Sports Complex		745,762
Total Capital Projects	\$	<u>40,228,790</u>

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

16. Litigation

The City is a party to several legal actions arising in the ordinary course of its business. In the opinion of the City's management, upon advice of the City Attorney, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position.

17. Closure and Postclosure Care Cost

The City adopted GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, for the fiscal year beginning October 1, 1993.

State and federal laws and regulations require the City to place a final cover on the City of Midland Municipal Solid Waste Facility, Texas Natural Resource Conservation Commission Permit #1605 site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be only near or after the date the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Total current cost has been adjusted for the effects of inflation by using the Consumer Price Index for all Urban Consumers (CPI-U): Selected areas by Expenditure Category and Commodity and Service Group for Dallas-Fort Worth, Texas.

The base period selected was June 1993. The index change from July 2012 through July 2013 was 1.03%. The amount expensed for the year ended September 30, 2013 is \$971,108. The \$12,524,297 reported as landfill closure and postclosure care liability at September 30, 2013, represents the cumulative amount reported to date based on the use of 17.14% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$53,625,059 as the remaining estimated capacity is filled.

These amounts are based on what it would cost to perform all closure and postclosure care in the fiscal year ended September 30, 2013. The City expects to close the landfill in the year 2053. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

On April 9, 1997, the Financial Responsibility Requirements found in Environmental Protection Agency Subtitle D regulations as they relate to publicly owned or operated municipal solid waste landfill facilities became effective. These regulations require that financial assurance to perform closure, postclosure and corrective activities for landfill operations be provided.

The City has chosen to provide this assurance through use of the Local Government Financial Test and Government Guarantee. This guarantee consists of three basic components, which are a financial component, public notice component and a record-keeping and reporting component.

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

17. Closure and Postclosure Care Cost (continued)

The public notice component of the Local Government Financial Test and Government Guarantee demonstrating financial assurance for closure, postclosure, or corrective action required by Environmental Protection Agency Subtitle D regulations for landfills operated by a local government requires the following disclosures be made.

- A. The specific facility covered is the City of Midland Municipal Solid Waste Facility, Texas Natural Resource Conservation Commission Permit #1605.
- B. Financial assurance costs are anticipated in the following categories of expenditures and in the amount of the corresponding cost estimates.

Closure Costs	\$ 7,124,006
Postclosure Costs	12,893,505
Corrective Action	<u>-</u>
Total	\$ <u>20,017,511</u>

- C. The anticipated year of closure is 2053 with closure costs having been fully incurred at that time. It is anticipated that postclosure costs will be incurred evenly across the 30-year postclosure monitoring period at \$429,784 per year.

18. Related Organizations

The City is responsible for appointing the members of the boards of the Midland Economic Development Corporation (MEDCO) and the Midland Housing Finance Corporation (MHFC) but the City's accountability for these organizations does not extend beyond making the appointments. For the year ended September 30, 2013, the City appropriated no funds for the use of either organization.

19. Joint Venture

An interlocal agreement between the Cities of Midland and Odessa established the MOUTD as an urban transportation system provider under Chapter 458 of the Texas Transportation Code. The MOUTD began operating bus routes during the year ended September 30, 2004. Federal and state grants were obtained to cover start-up costs and purchases of buses and vehicles, as well as portions of operating costs. Both cities also contribute money for operations to the MOUTD. Should either city choose to withdraw from the interlocal agreement, a pro rata share of net position and capital equipment acquired by MOUTD with Texas Department of Transportation section 5307 funds or 5307 matching funds during the time in which the local government was a party to the agreement shall be transferred to the local government. Upon dissolution of the MOUTD, the net assets shall be disposed in accordance with the agreement of the cities and the laws of the State of Texas and the United States. Audited financial statements are available by contacting the Midland-Odessa Urban Transit District at 8007 E. Highway 80, Odessa, TX 79765.

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

20. Discretely Presented Component Units

Significant Accounting Policies

The SCDC and the MDC are accounted for using the economic resources measurement focus and are presented as a discretely presented component units. The SCDC and the MDC are presented on the accrual basis of accounting.

Revenues and Expenses

The main revenue source for the SCDC is the Type B sales tax revenue and SCDC is bound by contract to pay all Type B sales tax revenues received to the City to pay for costs associated with the 2000 and 2001A City of Midland Certificates of Obligation and the City of Midland General Obligation Refunding Bonds, Series 2006B (see note 9). In addition, the proceeds of the Type B sales tax revenue may be used for maintenance costs of the football/soccer stadium, the baseball stadium and related parking facilities, and related infrastructure and improvements, not to exceed ten percent of the audited Type B sales tax revenue collected for the previous twelve months prior to September 30 of the previous fiscal year.

The main revenue source for the MDC is the Type A sales tax revenue, which became effective April 1, 2002. The MDC will incur expenses for economic development activities and operating expenses. The MDC expenses for fiscal year 2013 consisted of consulting and administrative expenses of \$1,335,193 and economic development expenses of \$724,000.

Assets and Liabilities

The SCDC assets consist solely of accrued sales tax revenues. A liability in the exact amount of the accrued sales tax revenues is recognized because of the SCDC contractual liability to the City.

The MDC assets consist primarily of sales tax revenues receivable, investments made with reserves and capital assets in the form of land, a building and improvements. The MDC's liabilities as of September 30, 2013 consist of amounts due for contractual agreements.

21. Fund Deficit

The Medical/Dental Self-Insurance Fund had an accumulated deficit of \$328,810 at September 30, 2013. This deficit will be eliminated during the fiscal year ending September 30, 2014.

CITY OF MIDLAND, TEXAS
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2013
(Unaudited)

	Budgeted Amounts		Actual	Adjustments–	Actual on a	Variance with
	Original	Final	Amounts	Budgetary	Budgetary	Final Budget –
				Basis	Basis	Positive
						(Negative)
Revenues:						
Taxes	\$ 75,843,490	\$ 75,843,490	\$ 82,072,286	\$ -	\$ 82,072,286	\$ 6,228,796
Licenses and permits	1,260,730	1,260,730	3,142,106	-	3,142,106	1,881,376
Fines and forfeitures	3,654,000	3,654,000	3,891,789	-	3,891,789	237,789
Charges for services	7,115,764	7,115,764	2,564,362	4,533,676	7,098,038	(17,726)
Rentals	8,600	8,600	17,344	-	17,344	8,744
Intergovernmental	950,714	950,714	782,449	-	782,449	(168,265)
Investment earnings	504,000	504,000	(896,062)	-	(896,062)	(1,400,062)
Contributions and donations	240,000	240,000	625,989	-	625,989	385,989
Miscellaneous	227,100	227,100	461,836	-	461,836	234,736
Total revenues	89,804,398	89,804,398	92,662,099	4,533,676	97,195,775	7,391,377
Expenditures:						
General government:						
Administration	1,351,904	1,478,878	1,478,038	-	1,478,038	840
Support services	13,276,987	15,770,837	15,767,979	-	15,767,979	2,858
Fiscal management	2,182,774	2,205,800	2,205,458	-	2,205,458	342
Development services	3,274,086	2,859,011	2,618,009	240,335	2,858,344	667
Engineering	12,141,456	15,189,471	15,188,449	-	15,188,449	1,022
Community services	10,029,720	10,020,001	10,018,185	-	10,018,185	1,816
Police	23,868,453	24,540,606	24,538,644	-	24,538,644	1,962
Fire	20,949,798	22,907,578	22,905,985	-	22,905,985	1,593
Other	2,567,768	2,586,163	2,585,876	-	2,585,876	287
Total expenditures	89,642,946	97,558,345	97,306,623	240,335	97,546,958	11,387
Excess (deficiency) of revenues over (under) expenditures	161,452	(7,753,947)	(4,644,524)	4,293,341	(351,183)	7,402,764
Other financing sources (uses):						
Sale of capital assets	-	-	350,000	-	350,000	350,000
Transfers in	750,000	750,000	5,043,341	(4,293,341)	750,000	-
Transfers out	(911,452)	(565,840)	(565,834)	-	(565,834)	6
Total other financing sources (uses)	(161,452)	184,160	4,827,507	(4,293,341)	534,166	350,006
Net change in fund balances	-	(7,569,787)	182,983	-	182,983	7,752,770
Fund balances – beginning	58,677,520	58,677,520	58,677,520	-	58,677,520	-
Fund balances – ending	\$ 58,677,520	\$ 51,107,733	\$ 58,860,503	\$ -	\$ 58,860,503	\$ 7,752,770

The notes to required supplementary information are an integral part of this schedule.

CITY OF MIDLAND, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2013

Budgetary Data

The City Council follows these procedures in establishing the annual budget:

1. Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them. Annual budgets are legally adopted for the General Fund and the Debt Service Fund on a basis consistent with generally accepted accounting principles, except for the classification of interfund transfers for General Fund services to other funds as charges for services for budgetary purposes instead of interfund transfers. Formal budgetary integration is not employed for the proprietary funds. The City adopts an annual budget for managerial control for all proprietary funds.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council through passage of an ordinance.
4. Expenditures may not legally exceed appropriations at the division level for legally adopted annual operating budgets. The City Manager has the authority to transfer appropriation balances from one department, the primary subunits of each fund, or division and the primary subunit of each department, to another within a single fund of the City. Department heads may approve amendments of amounts between line items within a division so long as the transfers do not significantly change the work program contemplated in the approved budget.
5. Supplemental appropriations during the year must be approved and adopted by the City Council through passage of resolution. During fiscal year 2013, there was \$7,915,399 in appropriation increases for the General Fund.
6. At the close of each fiscal year, unexpended budgetary appropriations lapse or revert to the undesignated fund balance. The unexpended appropriation balances in capital projects do not lapse at year-end.

The Budgetary Comparison Schedule, included in the required supplementary information, presents a comparison of the original and final amended budgets for the period to actual results of operations for the General Fund. There are no major special revenue funds.

CITY OF MIDLAND, TEXAS
Adjustments to Revenues, Expenditures and Other
Financing Uses from GAAP Basis to Budgetary Basis
For the Year Ended September 30, 2013
(Unaudited)

	Net Change in Fund Balances General Fund
GAAP basis	\$ 182,983
Revenues:	
Increase due to redefining interfund charges as interfund transfers	4,533,676
Expenditures:	
Increase due to redefining interfund charges as interfund transfers	(240,335)
Other financing (uses):	
Decrease due to redefining interfund charges as interfund transfers	<u>(4,293,341)</u>
Budgetary basis	<u><u>\$ 182,983</u></u>

The notes to required supplementary information are an integral part of this statement.

City of Midland, Texas
Required Supplementary Information
Schedule of Actuarial Liabilities and Funding Progress
Texas Municipal Retirement System
Last Three Calendar Years
(Unaudited)

Actuarial Valuation Date	12/31/12	12/31/11	Restructured (3) 12/31/10	Prior to Restructure (3) 12/31/10
Actuarial Value of Assets (1)	\$ 222,453,117	\$ 210,714,570	\$ 199,085,018	\$ 99,661,674
Actuarial Accrued Liability (1)	248,729,549	239,826,317	232,544,622	155,654,806
Percentage Funded	89.44%	87.86%	85.61%	64.03%
Unfunded Actuarial Accrued Liability (UAAL)	26,276,432	29,111,747	33,459,604	55,993,132
Annual Covered Payroll (2)	38,257,521	34,442,094	33,898,901	33,898,901
UAAL as a Percentage of Covered Payroll	68.68%	84.52%	98.70%	165.18%
Net Pension Obligation (NPO) at the Beginning of Period	-	-	-	-
Annual Pension Cost (2):				
Annual Required Contribution (ARC)	6,473,174	7,580,704	7,600,134	7,600,134
Interest on NPO	-	-	-	-
Adjustment to ARC	-	-	-	-
Contributions Made (2)	6,473,174	7,580,704	7,600,134	7,600,134
Increase in NPO	-	-	-	-
NPO at the end of period	\$ -	\$ -	\$ -	\$ -

(1) Information is from appropriate year supplements to TMRS annual reports.

(2) Extracted from City of Midland annual reports.

(3) In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009).

Note: For years ending December 31, 2007 and later, the actuarial accrued liability was calculated using the Projected Unit Credit actuarial funding method.

City of Midland, Texas
Required Supplementary Information
Schedule of Actuarial Liabilities and Funding Progress
Midland Firemen's Relief and Retirement Fund
Last Three Calendar Years
(Unaudited)

Actuarial Valuation Date	12/31/12 (1)	12/31/11	12/31/10 (1)
Actuarial Value of Assets (2)	\$ 72,112,476	\$ 73,066,776	\$ 68,522,532
Actuarial Accrued Liability (2)	N/A	101,158,743	N/A
Percentage Funded	N/A	72.23%	N/A
Unfunded Actuarial Accrued Liability (UAAL)	N/A	28,091,967	N/A
Annual Covered Payroll (2)	13,588,665	12,265,959	11,542,359
UAAL as a Percentage of Covered Payroll	N/A	229.02%	N/A
Net Pension Obligation (NPO) at the Beginning of Period	-	-	-
Annual Pension Cost (2):			
Annual Required Contribution (ARC)	2,744,910	2,477,724	2,331,557
Interest on NPO	-	-	-
Adjustment to ARC	-	-	-
Contributions Made (2)	2,744,910	2,477,724	2,331,557
Increase in NPO	-	-	-
NPO at the end of period	\$ -	\$ -	\$ -

(1) Actuarial valuations were not completed as of December 31, 2010 and December 31, 2012.

(2) Information is from actuarial reports prepared for the Midland Firemen's Relief and Retirement Fund. In years where an actuarial report is not prepared, the value of plan assets is extracted from the Midland Firemen's Relief and Retirement Fund audit for the appropriate year and Annual Covered Payroll and Contributions Made is extracted from the appropriate year City of Midland audit.

City of Midland, Texas
Required Supplementary Information
Schedule of Actuarial Liabilities and Funding Progress
Retiree Health Plan
(Unaudited)

Actuarial Valuation Date	12/31/12 (3)	12/31/11	12/31/10 (3)
Actuarial Value of Assets (1)	\$ -	\$ -	\$ -
Actuarial Accrued Liability (1)	N/A	52,657,298	N/A
Percentage Funded	N/A	0.00%	N/A
Unfunded Actuarial Accrued Liability (UAAL)	N/A	52,657,298	N/A
Annual Covered Payroll (2)	55,325,868	50,110,665	46,619,740
UAAL as a Percentage of Covered Payroll	N/A	105.08%	N/A

(1) As of April 30, 2012, the date of the actuarial reports prepared for the City of Midland.

(2) Extracted from City of Midland annual reports.

(3) Actuarial valuation was not completed as of December 31, 2010 and 2012

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The City's Special Revenue Funds are as follows:

COMMUNITY DEVELOPMENT FUND – to account for federal funds received through various Community Development Block Grants.

FEDERAL POLICE SPECIAL PURPOSES FUND – to account for funds received from forfeited property under federal jurisdiction. Such funds are used solely for law enforcement purposes such as salaries, training, equipment, supplies and items used by officers in direct law enforcement duties.

STATE POLICE SPECIAL PURPOSES FUND - to account for funds received from forfeited property under state jurisdiction. Such funds are used solely for law enforcement purposes such as salaries, training, equipment, supplies and items used by officers in direct law enforcement duties.

H.I.T.D.A. FEDERAL SEIZURE FUND - High Intensity Drug Trafficking Area seizure funds are received from the Drug Enforcement Administration. The funds are to be used to supplement and/or enhance law enforcement activities with priority given to supporting community policing activities, training, and law enforcement activities calculated to result in further seizures or forfeitures.

DEPARTMENT OF JUSTICE GRANT FUND - to account for funds received from the Department of Justice, Office of Justice programs. The purpose of the Justice Assistance Grant (JAG) program is to support a broad range of activities to prevent and control crime.

TAX INCREMENT REINVESTMENT ZONE FUND - to account for funds received from taxing units that levy taxes on real property in a designated reinvestment zone, a contiguous geographic area in the City of Midland, as prescribed under the provisions of Chapter 311 of the Texas Tax Code. The purpose of the fund is to enhance the value of real property in the zone through improvements.

HOTEL-MOTEL TAX FUND - to account for funds received from the occupancy tax collected from hotels and motels. These funds are restricted by law for use for specified purposes.

MUNICIPAL COURT TECHNOLOGY FUND - to account for funds collected from the defendant upon conviction for a misdemeanor offense in the City of Midland Municipal Court as a cost of court. These funds are restricted for the purchase of technological enhancements for the benefit of City of Midland Municipal Court by Texas Code of Criminal Procedure Article 102.0172.

MUNICIPAL COURT BUILDING SECURITY FUND - to account for funds collected from the defendant upon conviction for a misdemeanor offense in the City of Midland Municipal Court as a cost of court. These funds are restricted for the purchase of building security enhancements for the benefit of City of Midland Municipal Court by Texas Code of Criminal Procedure Article 102.017.

STREET REPAIR IMPROVEMENT AND NEW STREET AND SIDEWALK INSTALLATION FUND - to account for funds received from a supplemental building permit charge and a supplemental street improvement charge on specified classes of property. These funds are committed to improving, repairing or installing streets, alleys and/or sidewalks.

CAPITAL PROJECTS FUNDS

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary type funds.

The City's Capital Projects Funds are as follows:

ANIMAL SHELTER FACILITY AND EQUIPMENT FUND – to account for the costs of building improvements and the purchase of equipment related to the Animal Shelter Facility, financed by funds received from a supplemental animal license fee.

1998 GENERAL PURPOSE CERTIFICATES OF OBLIGATION FUND – to account for the costs of street and drainage improvements, traffic improvements, park improvements, drainage improvements, downtown Midland improvements, and City Hall renovation and land acquisition, financed by certificates of obligation proceeds.

1999 GENERAL PURPOSE CERTIFICATES OF OBLIGATION FUND – to account for the costs of park improvements, buildings and structures for public gatherings, street improvements, drainage improvements, fire stations, golf course facilities, and fire fighting equipment, financed by certificates of obligation proceeds.

2001 GENERAL PURPOSE CERTIFICATES OF OBLIGATION FUND – to account for the costs of street and drainage improvements, traffic lights and controls, public safety equipment, park improvements, Midland Community Center equipment and improvements, records storage equipment and professional services related to planning and zoning projects.

2003 GENERAL PURPOSE CERTIFICATES OF OBLIGATION FUND – to account for the costs of traffic signage and signalization, street and drainage improvements, park improvements, Midland Center Facilities improvements, downtown Midland improvements and professional services rendered in relation to such projects financed by certificates of obligation proceeds.

2005 GENERAL PURPOSE CERTIFICATES OF OBLIGATION FUND – to account for the costs of public safety equipment, street paving, drainage, traffic signage and signalization improvements, park improvements, improvements to City facilities, downtown Midland improvements and professional services rendered in relation to such projects financed by certificates of obligation proceeds.

2007 GENERAL PURPOSE CERTIFICATES OF OBLIGATION FUND – to account for the costs of street, drainage, and traffic signalization, park and recreation improvements, acquiring, equipping, improving and renovating a building for storage of municipal property and fire fighting facilities, including the acquisition of land therefore and professional services rendered in relation to such projects financed by certificates of obligation proceeds.

2009 GENERAL PURPOSE CERTIFICATES OF OBLIGATION FUND – to account for the costs of acquiring, constructing, improving, renovating, or equipping existing City-owned buildings, parks and park facilities, constructing, paving or improving streets, drainage, traffic signage, and signalization and professional services rendered in relation to such projects financed by certificates of obligation proceeds.

2012 GENERAL PURPOSE CERTIFICATES OF OBLIGATION FUND – to account for the costs of constructing, improving, renovating, or equipping the voice and data communication system for public services, fire fighting facilities, park and recreational facilities, technology system, and streets. Acquire land and right-of way to improve and extend the City's water and sewer system financed by certificates of obligation proceeds.



CITY OF MIDLAND, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2013

	Special Revenue										
	Community Development Fund	Federal Police Special Purposes Fund	State Police Special Purposes Fund	H.I.T.D.A. Federal Seizure Fund	Department of Justice Grant Fund	Tax Increment Reinvestment Zone Fund	Hotel Motel Tax Fund	Municipal Court Technology Fund	Municipal Court Building Security Fund	Street Repair Improvement and New Street and Sidewalk Installation Fund	Total
ASSETS											
Cash and cash equivalents	\$ 9,328	\$ 262,200	\$ 5,415	\$ 7,789	\$ 31,703	\$ 1,876,611	\$ 5,146,793	\$ 142,844	\$ 200,716	\$ 1,221,726	\$ 8,905,125
Investments	-	246,468	37,101	-	-	1,480,361	5,660,207	157,094	220,739	1,343,598	9,145,568
Receivables:											
Property taxes	-	-	-	-	-	337,427	-	-	-	-	337,427
Accounts receivable	1,000,325	-	-	-	-	-	126,929	-	-	-	1,127,254
Interest receivable	-	613	91	-	-	3,443	13,735	376	535	3,145	21,938
Intergovernmental receivable	83,956	-	-	-	-	-	-	-	-	-	83,956
Total assets	\$ 1,093,609	\$ 509,281	\$ 42,607	\$ 7,789	\$ 31,703	\$ 3,697,842	\$ 10,947,664	\$ 300,314	\$ 421,990	\$ 2,568,469	\$ 19,621,268
LIABILITIES											
Accounts payable	\$ 28,923	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,572	\$ -	\$ -	\$ -	\$ 134,495
Retainage payable	3,751	-	-	-	-	-	-	-	-	-	3,751
Due to other funds	10,634	-	-	-	-	-	-	-	-	-	10,634
Deferred and unearned revenue	1,000,325	-	-	-	31,651	-	-	-	-	-	1,031,976
Other	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	1,043,633	-	-	-	31,651	-	105,572	-	-	-	1,180,856
FUND BALANCES											
Restricted for:											
Public Safety	-	509,281	42,607	7,789	52	-	-	-	-	-	559,729
Court	-	-	-	-	-	-	-	300,314	421,990	-	722,304
Communications	-	-	-	-	-	-	-	-	-	-	-
Downtown	-	-	-	-	-	-	-	-	-	-	-
Buildings and renovations	-	-	-	-	-	-	2,139,914	-	-	-	2,139,914
Streets and drainage	-	-	-	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-
Other purposes	49,976	-	-	-	-	-	8,702,178	-	-	-	8,752,154
Committed to:											
Buildings and renovations	-	-	-	-	-	-	-	-	-	-	-
Streets and drainage	-	-	-	-	-	-	-	-	-	2,568,469	2,568,469
Other purposes	-	-	-	-	-	3,697,842	-	-	-	-	3,697,842
Total fund balances	49,976	509,281	42,607	7,789	52	3,697,842	10,842,092	300,314	421,990	2,568,469	18,440,412
Total liabilities and fund balances	\$ 1,093,609	\$ 509,281	\$ 42,607	\$ 7,789	\$ 31,703	\$ 3,697,842	\$ 10,947,664	\$ 300,314	\$ 421,990	\$ 2,568,469	\$ 19,621,268

Capital Projects Funds										
Animal Shelter Facility and Equipment Fund	1998 General Purpose Certificates of Obligation Fund	1999 General Purpose Certificates of Obligation Fund	2001 General Purpose Certificates of Obligation Fund	2003 General Purpose Certificates of Obligation Fund	2005 General Purpose Certificates of Obligation Fund	2007 General Purpose Certificates of Obligation Fund	2009 General Purpose Certificates of Obligation Fund	2012 General Purpose Certificates of Obligation Fund	Total	Total Nonmajor Governmental Funds
\$ 102,865 113,126	\$ 171,972 28	\$ 2,761 86	\$ 106,291 444	\$ 388,435 831	\$ 260,778 3,671	\$ 406,259 4,189	\$ 5,782,348 15,088	\$ 11,102,180 22,322	\$ 18,323,889 159,785	\$ 27,229,014 9,305,353
-	-	-	-	-	-	-	-	-	-	337,427
-	-	-	-	-	-	-	-	-	-	1,127,254
280	-	-	1	2	2	-	-	-	285	22,223
-	-	-	-	-	-	-	-	-	-	83,956
<u>\$ 216,271</u>	<u>\$ 172,000</u>	<u>\$ 2,847</u>	<u>\$ 106,736</u>	<u>\$ 389,268</u>	<u>\$ 264,451</u>	<u>\$ 410,448</u>	<u>\$ 5,797,436</u>	<u>\$ 11,124,502</u>	<u>\$ 18,483,959</u>	<u>\$ 38,105,227</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,660	\$ -	\$ -	32,552	\$ 41,212	\$ 175,707
-	-	235	-	-	3,514	2,219	22,488	-	28,456	32,207
-	-	-	-	-	-	-	-	-	-	10,634
-	-	-	-	-	-	-	-	-	-	1,031,976
-	-	1	-	-	-	2	251	2	256	256
-	-	236	-	-	12,174	2,221	22,739	32,554	69,924	1,250,780
-	-	-	-	-	8,215	-	-	-	8,215	567,944
-	-	-	-	-	-	-	-	-	-	722,304
-	-	-	-	-	-	-	-	3,508,930	3,508,930	3,508,930
-	172,000	-	-	389,204	84,295	-	-	-	645,499	645,499
-	-	-	-	-	16,654	103,753	1,075,587	3,845,910	5,041,904	7,181,818
-	-	-	90,826	-	122,168	219,128	4,696,367	2,418,656	7,547,145	7,547,145
-	-	2,611	-	64	20,945	85,346	2,743	1,318,452	1,430,161	1,430,161
-	-	-	15,910	-	-	-	-	-	15,910	8,768,064
216,271	-	-	-	-	-	-	-	-	216,271	216,271
-	-	-	-	-	-	-	-	-	-	2,568,469
-	-	-	-	-	-	-	-	-	-	3,697,842
<u>216,271</u>	<u>172,000</u>	<u>2,611</u>	<u>106,736</u>	<u>389,268</u>	<u>252,277</u>	<u>408,227</u>	<u>5,774,697</u>	<u>11,091,948</u>	<u>18,414,035</u>	<u>36,854,447</u>
<u>\$ 216,271</u>	<u>\$ 172,000</u>	<u>\$ 2,847</u>	<u>\$ 106,736</u>	<u>\$ 389,268</u>	<u>\$ 264,451</u>	<u>\$ 410,448</u>	<u>\$ 5,797,436</u>	<u>\$ 11,124,502</u>	<u>\$ 18,483,959</u>	<u>\$ 38,105,227</u>

CITY OF MIDLAND, TEXAS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2013

	Special Revenue										
	Community Development Fund	Federal Police Special Purposes Fund	State Police Special Purposes Fund	H.I.T.D.A. Federal Seizure Fund	Department of Justice Grant Fund	Tax Increment Reinvestment Zone Fund	Hotel Motel Tax Fund	Municipal Court Technology Fund	Municipal Court Building Security Fund	Street Repair Improvement and New Street and Sidewalk Installation Fund	Total
REVENUES											
Ad valorem tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,035,474	\$ -	\$ -	\$ -	\$ -	\$ 1,035,474
Hotel-Motel tax revenues	-	-	-	-	-	-	5,768,762	-	-	-	5,768,762
Street improvement charge	-	-	-	-	-	-	-	-	-	1,112,139	1,112,139
Pet licenses	-	-	-	-	-	-	-	-	-	-	-
Municipal Court technology assessment	-	-	-	-	-	-	-	76,148	-	-	76,148
Municipal Court Security Fee	-	-	-	-	-	-	-	-	57,054	-	57,054
Midland Center rentals	-	-	-	-	-	-	285,421	-	-	-	285,421
Intergovernmental grants	1,186,881	-	-	-	74,036	-	-	-	-	-	1,260,917
Investment income:											
Interest income	34,188	644	70	-	67	20,842	67,399	2,147	2,915	13,759	142,031
Net increase (decrease) in the fair value of investments	-	-	-	-	-	(53,012)	(196,465)	(5,565)	(8,062)	(40,013)	(303,117)
Program income	193,118	-	-	-	-	-	-	-	-	-	193,118
Miscellaneous	-	83,683	25,725	-	-	-	-	-	-	-	109,408
Total revenues	1,414,187	84,327	25,795	-	74,103	1,003,304	5,925,117	72,730	51,907	1,085,885	9,737,355
EXPENDITURES											
Administration	160,000	-	-	-	-	-	-	-	-	-	160,000
Clearance activities	120,192	-	-	-	-	-	-	-	-	-	120,192
Community involvement	70,000	-	-	-	-	-	-	-	-	-	70,000
Housing programs	740,407	-	-	-	-	-	-	-	-	-	740,407
Economic development	-	-	-	-	-	-	2,293,763	-	-	-	2,293,763
Capital outlay	278,348	254,993	20,712	-	49,489	350,000	170,971	-	-	-	1,124,513
Other	-	39,160	36,827	-	24,711	33,000	89,923	88,073	-	-	311,694
Total expenditures	1,368,947	294,153	57,539	-	74,200	383,000	2,554,657	88,073	-	-	4,820,569
Excess (deficiency) of revenues over (under) expenditures	45,240	(209,826)	(31,744)	-	(97)	620,304	3,370,460	(15,343)	51,907	1,085,885	4,916,786
OTHER FINANCING SOURCES (USES)											
Transfers out	-	-	-	-	-	-	(26,813)	-	-	-	(26,813)
Total other financing sources (uses)	-	-	-	-	-	-	(26,813)	-	-	-	(26,813)
Net change in fund balances	45,240	(209,826)	(31,744)	-	(97)	620,304	3,343,647	(15,343)	51,907	1,085,885	4,889,973
Fund balances – beginning	4,736	719,107	74,351	7,789	149	3,077,538	7,498,445	315,657	370,083	1,482,584	13,550,439
Fund balances – ending	\$ 49,976	\$ 509,281	\$ 42,607	\$ 7,789	\$ 52	\$ 3,697,842	\$ 10,842,092	\$ 300,314	\$ 421,990	\$ 2,568,469	\$ 18,440,412

Capital Projects Funds										
Animal Shelter Facility and Equipment Fund	1998 General Purpose Certificates of Obligation Fund	1999 General Purpose Certificates of Obligation Fund	2001 General Purpose Certificates of Obligation Fund	2003 General Purpose Certificates of Obligation Fund	2005 General Purpose Certificates of Obligation Fund	2007 General Purpose Certificates of Obligation Fund	2009 General Purpose Certificates of Obligation Fund	2012 General Purpose Certificates of Obligation Fund	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,035,474
-	-	-	-	-	-	-	-	-	-	5,768,762
-	-	-	-	-	-	-	-	-	-	1,112,139
22,609	-	-	-	-	-	-	-	-	22,609	22,609
-	-	-	-	-	-	-	-	-	-	76,148
-	-	-	-	-	-	-	-	-	-	57,054
-	-	-	-	-	-	-	-	-	-	285,421
-	-	-	-	-	-	-	-	-	-	1,260,917
1,744	164	5	106	426	253	605	8,073	11,794	23,170	165,201
(4,399)	(1)	(3)	(17)	(32)	(77)	287	(5,627)	(1,025)	(10,894)	(314,011)
-	-	-	-	-	-	-	-	-	-	193,118
-	-	-	-	-	-	-	-	-	-	109,408
19,954	163	2	89	394	176	892	2,446	10,769	34,885	9,772,240
-	-	-	-	-	-	-	-	-	-	160,000
-	-	-	-	-	-	-	-	-	-	120,192
-	-	-	-	-	-	-	-	-	-	70,000
-	-	-	-	-	-	-	-	-	-	740,407
-	-	-	-	-	-	-	-	-	-	2,293,763
49,500	-	3,151	-	39,322	115,194	263,293	947,452	1,060,225	2,478,137	3,602,650
-	-	1,558	-	-	59,389	61,250	-	-	122,197	433,891
49,500	-	4,709	-	39,322	174,583	324,543	947,452	1,060,225	2,600,334	7,420,903
(29,546)	163	(4,707)	89	(38,928)	(174,407)	(323,651)	(945,006)	(1,049,456)	(2,565,449)	2,351,337
-	-	-	-	-	-	-	-	-	-	(26,813)
-	-	-	-	-	-	-	-	-	-	(26,813)
(29,546)	163	(4,707)	89	(38,928)	(174,407)	(323,651)	(945,006)	(1,049,456)	(2,565,449)	2,324,524
245,817	171,837	7,318	106,647	428,196	426,684	731,878	6,719,703	12,141,404	20,979,484	34,529,923
\$ 216,271	\$ 172,000	\$ 2,611	\$ 106,736	\$ 389,268	\$ 252,277	\$ 408,227	\$ 5,774,697	\$ 11,091,948	\$ 18,414,035	\$ 36,854,447

CITY OF MIDLAND, TEXAS
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2013
(Unaudited)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 4,288,766	\$ 4,288,766	\$ 4,387,013	\$ 98,247
Investment earnings:				
Interest income	10,000	10,000	9,480	(520)
Net increase in the fair value of investments	<u>-</u>	<u>-</u>	<u>(18,662)</u>	<u>(18,662)</u>
Total revenues	<u>4,298,766</u>	<u>4,298,766</u>	<u>4,377,831</u>	<u>79,065</u>
EXPENDITURES				
Debt service:				
Principal	2,818,125	2,818,125	2,818,125	-
Interest	1,600,143	1,600,144	1,600,143	1
Paying agent fees	<u>1,286</u>	<u>1,294</u>	<u>1,293</u>	<u>1</u>
Total expenditures	<u>4,419,554</u>	<u>4,419,563</u>	<u>4,419,561</u>	<u>2</u>
Deficiency of revenues under expenditures	<u>(120,788)</u>	<u>(120,797)</u>	<u>(41,730)</u>	<u>79,067</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	107,584	107,584	107,584	-
Accrued interest on debt issuance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>107,584</u>	<u>107,584</u>	<u>107,584</u>	<u>-</u>
Net change in fund balances	<u>(13,204)</u>	<u>(13,213)</u>	<u>65,854</u>	<u>79,067</u>
Fund balances – beginning	<u>413,744</u>	<u>413,744</u>	<u>413,744</u>	<u>-</u>
Fund balances – ending	<u>\$ 400,540</u>	<u>\$ 400,531</u>	<u>\$ 479,598</u>	<u>\$ 79,067</u>

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

The City's Internal Service Funds are as follows:

WAREHOUSE FUND – to account for the revenues and cost of operations of a central store for the City.

GARAGE FUND – to account for the revenues and cost of operations of a central motor pool. Vehicles are rented to user departments at estimated cost. Additions and replacements are financed by the Garage Fund and by transfers from the General Fund and Special Revenue Funds.

TECHNOLOGY FUND – to account for the revenues and cost of operations of a central technology asset pool for the City. New and replacement technological assets are funded by the Technology fund, to be reimbursed by the user funds at an amortized rate over a specified asset life.

WORKER'S COMPENSATION SELF-INSURANCE FUND – to account for the revenues and expenses of a worker's compensation plan consisting of purchased insurance and self-insurance for claims prior to October 1, 1996. Departments of the City are charged premiums consistent with the cost of comparable insurance plans.

MEDICAL/DENTAL SELF-INSURANCE FUND – to account for the revenues and expenses of a group life insurance, medical insurance and dental insurance self-insurance plan for employees, dependents and retirees. Departments of the City are charged premiums consistent with the cost of comparable insurance plans. Claims are provided for as incurred.

GENERAL LIABILITY SELF-INSURANCE FUND – to account for the revenues and expenses of a self-insured general liability insurance fund. Departments of the City are charged premiums consistent with the cost of comparable insurance plans. Claims are provided for as incurred.

CITY OF MIDLAND, TEXAS
Internal Service Funds
Combining Statement of Net Position
September 30, 2013

	Warehouse Fund	Garage Fund	Technology Fund	Worker's Compensation Self- Insurance Fund	Medical/ Dental Self- Insurance Fund	General Liability Self- Insurance Fund	Total
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 193,737	\$ 4,215,251	\$ 1,620,136	\$ 1,143,551	\$ 370,883	\$ 646,716	\$ 8,190,274
Investments	205,544	4,644,222	310,863	1,257,625	377,106	711,641	7,507,001
Accounts receivable	-	17,836	-	-	33,477	-	51,313
Interest receivable	435	10,771	-	3,097	566	1,669	16,538
Notes receivable	-	141,000	-	-	-	-	141,000
Inventories	190,079	392,353	-	-	-	-	582,432
Prepaid items and other assets	-	-	-	20,000	-	-	20,000
Total current assets	<u>589,795</u>	<u>9,421,433</u>	<u>1,930,999</u>	<u>2,424,273</u>	<u>782,032</u>	<u>1,360,026</u>	<u>16,508,558</u>
Noncurrent assets:							
Capital assets:							
Land	-	-	-	-	-	45,541	45,541
Buildings	23,804	1,788,120	-	-	-	5,000	1,816,924
Improvements other than buildings	500,000	346,955	-	-	-	-	846,955
Machinery and equipment	-	45,516,646	276,297	-	-	26,967	45,819,910
Intangible and Other	124,105	4,188,444	17,260	187,105	-	187,500	4,704,414
Construction in progress	-	-	236,984	-	-	-	236,984
Less accumulated depreciation	<u>(124,839)</u>	<u>(34,715,965)</u>	<u>(15,747)</u>	<u>(112,263)</u>	<u>-</u>	<u>(106,889)</u>	<u>(35,075,703)</u>
Total capital assets (net of accumulated depreciation)	<u>523,070</u>	<u>17,124,200</u>	<u>514,794</u>	<u>74,842</u>	<u>-</u>	<u>158,119</u>	<u>18,395,025</u>
Other noncurrent assets:							
Notes receivable	<u>-</u>	<u>1,082,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,082,647</u>
Total noncurrent assets	<u>523,070</u>	<u>18,206,847</u>	<u>514,794</u>	<u>74,842</u>	<u>-</u>	<u>158,119</u>	<u>19,477,672</u>
Total assets	<u>1,112,865</u>	<u>27,628,280</u>	<u>2,445,793</u>	<u>2,499,115</u>	<u>782,032</u>	<u>1,518,145</u>	<u>35,986,230</u>
LIABILITIES							
Current liabilities:							
Accounts payable	37,187	521,423	135,991	25,528	429,220	7,043	1,156,392
Accrued payroll	3,881	77,139	4,164	-	-	8,550	93,734
Compensated absences	8,201	63,563	-	-	-	8,775	80,539
Estimated unpaid claims	-	-	-	295,383	669,482	242,933	1,207,798
Other liabilities	-	-	-	-	2,080	-	2,080
Total current liabilities	<u>49,269</u>	<u>662,125</u>	<u>140,155</u>	<u>320,911</u>	<u>1,100,782</u>	<u>267,301</u>	<u>2,540,543</u>
Noncurrent liabilities:							
Compensated absences	6,942	41,166	-	-	-	2,058	50,166
Other postemployment benefits payable	24,726	565,321	-	8,910	10,060	63,708	672,725
Estimated unpaid claims	-	-	-	886,147	-	971,733	1,857,880
Total noncurrent liabilities	<u>31,668</u>	<u>606,487</u>	<u>-</u>	<u>895,057</u>	<u>10,060</u>	<u>1,037,499</u>	<u>2,580,771</u>
Total liabilities	<u>80,937</u>	<u>1,268,612</u>	<u>140,155</u>	<u>1,215,968</u>	<u>1,110,842</u>	<u>1,304,800</u>	<u>5,121,314</u>
NET POSITION							
Net investment in capital assets	523,070	17,124,200	1,738,961	74,842	-	158,119	19,619,192
Unrestricted	<u>508,858</u>	<u>9,235,468</u>	<u>566,677</u>	<u>1,208,305</u>	<u>(328,810)</u>	<u>55,226</u>	<u>11,245,724</u>
Total net position	<u>\$ 1,031,928</u>	<u>\$ 26,359,668</u>	<u>\$ 2,305,638</u>	<u>\$ 1,283,147</u>	<u>\$ (328,810)</u>	<u>\$ 213,345</u>	<u>\$ 30,864,916</u>

CITY OF MIDLAND, TEXAS
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended September 30, 2013

	Warehouse Fund	Garage Fund	Technology Fund	Worker's Compensation Self- Insurance Fund	Medical/ Dental Self- Insurance Fund	General Liability Self- Insurance Fund	Total
Operating revenues:							
Billings to other funds	\$ 976,082	\$ -	\$ 589,691	\$ 374,610	\$ 8,677,992	\$ 541,800	\$ 11,160,175
Motor vehicle repair billings	-	5,037,243	-	-	-	-	5,037,243
Motor vehicle lease charges	-	5,047,294	-	-	-	-	5,047,294
Equipment lease-other	-	924,388	-	-	-	-	924,388
Charges for fuel	-	2,744,786	-	-	-	-	2,744,786
Employee payments	-	-	-	-	2,100,462	-	2,100,462
Total operating revenue	<u>976,082</u>	<u>13,753,711</u>	<u>589,691</u>	<u>374,610</u>	<u>10,778,454</u>	<u>541,800</u>	<u>27,014,348</u>
Operating expenses:							
Cost of goods sold	811,740	799,582	-	-	-	-	1,611,322
Salaries and fringe benefits	76,602	1,889,380	-	-	-	225,377	2,191,359
Contractual services	19,009	883,629	239	10,524	3,550,760	228,079	4,692,240
Maintenance of structure	-	11,044	-	-	-	-	11,044
Maintenance of equipment	-	1,759,028	-	-	-	-	1,759,028
Claims expense	-	-	-	696,274	7,326,921	469,594	8,492,789
Depreciation expense	50,847	3,917,830	10,746	37,395	1,597	38,974	4,057,389
Supplies	400	3,058,613	394,136	2,454	-	1,905	3,457,508
Other expenses	-	54,248	-	-	-	-	54,248
Total operating expenses	<u>958,598</u>	<u>12,373,354</u>	<u>405,121</u>	<u>746,647</u>	<u>10,879,278</u>	<u>963,929</u>	<u>26,326,927</u>
Operating income (loss)	<u>17,484</u>	<u>1,380,357</u>	<u>184,570</u>	<u>(372,037)</u>	<u>(100,824)</u>	<u>(422,129)</u>	<u>687,421</u>
Nonoperating revenue:							
Investment earnings:							
Interest income	2,045	101,639	1,608	18,508	1,774	10,481	136,055
Net increase (decrease) in the fair value of investments	(5,022)	(166,997)	725	(48,846)	(4,898)	(26,335)	(251,373)
Recoveries of damages to city property, net	-	105,153	-	-	-	-	105,153
Other	-	47,570	7,193	415	9,858	169,662	234,698
Total nonoperating revenue	<u>(2,977)</u>	<u>87,365</u>	<u>9,526</u>	<u>(29,923)</u>	<u>6,734</u>	<u>153,808</u>	<u>224,533</u>
Income (loss) before transfers	<u>14,507</u>	<u>1,467,722</u>	<u>194,096</u>	<u>(401,960)</u>	<u>(94,090)</u>	<u>(268,321)</u>	<u>911,954</u>
Transfers in	-	-	-	-	-	-	-
Transfers out	(30,013)	(479,031)	-	-	-	-	(509,044)
Change in net position	<u>(15,506)</u>	<u>988,691</u>	<u>194,096</u>	<u>(401,960)</u>	<u>(94,090)</u>	<u>(268,321)</u>	<u>402,910</u>
Net position-beginning	1,047,434 \$	25,370,977 \$	2,111,542 \$	1,685,107 \$	(234,720) \$	481,666	30,462,006
Net position-ending	<u>\$ 1,031,928</u>	<u>\$ 26,359,668</u>	<u>\$ 2,305,638</u>	<u>\$ 1,283,147</u>	<u>\$ (328,810)</u>	<u>\$ 213,345</u>	<u>\$ 30,864,916</u>

CITY OF MIDLAND, TEXAS
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2013

	Warehouse Fund	Garage Fund	Technology Fund	Worker's Compensation Self- Insurance Fund	Medical/ Dental Self- Insurance Fund	General Liability Self- Insurance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	\$ -	\$ 146,325	\$ 7,193	\$ 415	\$ 2,283,475	\$ -	\$ 2,437,408
Interfund services provided	976,082	13,753,711	589,691	374,610	8,677,992	711,462	25,083,548
Payments to suppliers	(744,174)	(7,557,038)	(258,715)	(630,210)	(10,871,346)	(768,718)	(20,830,201)
Payments to employees	(82,013)	(1,762,874)	4,164	-	-	(210,584)	(2,051,307)
Net cash provided (used) by operating activities	<u>149,895</u>	<u>4,580,124</u>	<u>342,333</u>	<u>(255,185)</u>	<u>90,121</u>	<u>(267,840)</u>	<u>4,639,448</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers out to other funds	(30,013)	(479,031)	-	-	-	-	(509,044)
Net cash used by noncapital financing activities	<u>(30,013)</u>	<u>(479,031)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(509,044)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Purchases of capital assets	-	(3,645,779)	(408,860)	-	-	-	(4,054,639)
Repayment of loans to other funds	-	137,285	-	-	-	-	137,285
Proceeds from sale of capital assets	-	-	-	-	29	63,160	63,189
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(3,508,494)</u>	<u>(408,860)</u>	<u>-</u>	<u>29</u>	<u>63,160</u>	<u>(3,854,165)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of investments	(108,652)	(1,884,676)	(297,275)	(336,262)	(121,656)	(170,225)	(2,918,746)
Proceeds from sales and maturities of investments	16,162	460,293	2,266	153,684	42,609	90,308	765,322
Interest received	(3,147)	(67,792)	2,333	(30,412)	(3,275)	(15,776)	(118,069)
Net cash provided (used) by investing activities	<u>(95,637)</u>	<u>(1,492,175)</u>	<u>(292,676)</u>	<u>(212,990)</u>	<u>(82,322)</u>	<u>(95,693)</u>	<u>(2,271,493)</u>
Net increase (decrease) in cash and cash equivalents	24,245	(899,576)	(359,203)	(468,175)	7,828	(300,373)	(1,995,254)
Cash and cash equivalents at beginning of year	<u>169,492</u>	<u>\$ 5,114,827</u>	<u>\$ 1,979,339</u>	<u>\$ 1,611,726</u>	<u>\$ 363,055</u>	<u>\$ 947,089</u>	<u>10,185,528</u>
Cash and cash equivalents at end of year	<u>\$ 193,737</u>	<u>\$ 4,215,251</u>	<u>\$ 1,620,136</u>	<u>\$ 1,143,551</u>	<u>\$ 370,883</u>	<u>\$ 646,716</u>	<u>\$ 8,190,274</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss):	\$ 17,484	\$ 1,380,357	\$ 184,570	\$ (372,037)	\$ (100,824)	\$ (422,129)	\$ 687,421
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	50,847	3,917,830	10,746	37,395	1,597	38,974	4,057,389
Other income	-	152,723	7,193	415	9,858	169,662	339,851
(Increase) decrease in accounts receivable	-	(6,398)	-	-	173,155	-	166,757
(Increase) decrease in inventory	55,345	(40,300)	-	-	-	-	15,045
Increase in prepaid items	-	-	-	-	53,046	-	53,046
Increase (decrease) in accounts payable	31,630	(950,594)	135,660	7,705	(81,065)	(218,653)	(1,075,317)
Increase in accrued payroll	253	3,924	4,164	-	-	853	9,194
Increase in estimated unpaid claims	-	-	-	71,337	33,195	149,513	254,045
Increase (decrease) in compensated absences	(10,180)	10,129	-	-	-	391	340
Increase in other postemployment benefits	4,516	112,453	-	-	-	13,549	130,518
Increase in other liabilities	-	-	-	-	1,159	-	1,159
Total adjustments	<u>132,411</u>	<u>3,199,767</u>	<u>157,763</u>	<u>116,852</u>	<u>190,945</u>	<u>154,289</u>	<u>3,952,027</u>
Net cash provided (used) by operating activities	<u>\$ 149,895</u>	<u>\$ 4,580,124</u>	<u>\$ 342,333</u>	<u>\$ (255,185)</u>	<u>\$ 90,121</u>	<u>\$ (267,840)</u>	<u>\$ 4,639,448</u>
Noncash Investing, Capital and Financing Activities:							
Change in fair value of investments	\$ (5,022)	\$ (166,997)	\$ 725	\$ (48,846)	\$ (4,898)	\$ (26,335)	\$ (251,373)

STATISTICAL SECTION

(Unaudited)

This part of the City of Midland's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health.

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Financial Trends	117

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity	122
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These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Debt Capacity	130
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These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information	135
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	137
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These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the service the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.



Table 1

CITY OF MIDLAND, TEXAS
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 39,547,580	\$ 41,993,822	\$ 47,625,042	\$ 53,378,805	\$ 62,688,027	\$ 70,220,858	\$ 74,338,808	\$ 77,139,942	\$ 79,950,737	\$ 95,068,376
Restricted	168,149	118,651	255,331	34,810	156,130	20,367	326,991	6,518,425	9,227,239	12,754,115
Unrestricted	33,791,542	36,840,714	45,834,804	52,877,175	57,985,984	52,799,760	45,035,305	45,315,926	53,230,626	51,770,695
Total governmental activities net position	<u>\$ 73,507,271</u>	<u>\$ 78,953,187</u>	<u>\$ 93,715,177</u>	<u>\$ 106,290,790</u>	<u>\$ 120,830,141</u>	<u>\$ 123,040,985</u>	<u>\$ 119,701,104</u>	<u>\$ 128,974,293</u>	<u>\$ 142,408,602</u>	<u>\$ 159,593,186</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 119,949,907	\$ 130,705,342	\$ 138,474,174	\$ 146,453,011	\$ 149,714,918	\$ 166,637,943	\$ 169,294,026	\$ 178,169,630	\$ 189,427,031	\$ 216,897,238
Restricted	8,195,706	8,195,706	8,195,706	7,826,071	7,826,071	7,826,071	7,826,071	11,615,537	12,228,596	3,560,568
Unrestricted	48,488,356	48,130,545	52,601,112	60,855,833	75,370,522	75,294,643	81,828,896	82,368,737	84,149,910	76,236,521
Total business-type activities net position	<u>\$ 176,633,969</u>	<u>\$ 187,031,593</u>	<u>\$ 199,270,992</u>	<u>\$ 215,134,915</u>	<u>\$ 232,911,511</u>	<u>\$ 249,758,657</u>	<u>\$ 258,948,993</u>	<u>\$ 272,153,904</u>	<u>\$ 285,805,537</u>	<u>\$ 296,694,327</u>
Primary government										
Invested in capital assets, net of related debt	\$ 159,497,487	\$ 172,699,164	\$ 186,099,216	\$ 199,831,816	\$ 212,402,945	\$ 236,858,801	\$ 243,632,834	\$ 255,309,572	\$ 269,377,768	\$ 311,965,614
Restricted	8,363,855	8,314,357	8,451,037	7,860,881	7,982,201	7,846,438	8,153,062	18,133,962	21,455,835	16,314,683
Unrestricted	82,279,898	84,971,259	98,435,916	113,733,008	133,356,506	128,094,403	126,864,201	127,684,663	137,380,536	128,007,216
Total primary government net position	<u>\$ 250,141,240</u>	<u>\$ 265,984,780</u>	<u>\$ 292,986,169</u>	<u>\$ 321,425,705</u>	<u>\$ 353,741,652</u>	<u>\$ 372,799,642</u>	<u>\$ 378,650,097</u>	<u>\$ 401,128,197</u>	<u>\$ 428,214,139</u>	<u>\$ 456,287,513</u>

Table 2

CITY OF MIDLAND, TEXAS
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Expenses										
Governmental activities:										
General government	\$ 9,852,827	\$ 10,614,765	\$ 11,120,377	\$ 15,915,793	\$ 16,426,985	\$ 18,834,377	\$ 18,971,123	\$ 20,939,401	\$ 20,515,015	\$ 22,645,060
Development services	8,806,275	8,730,237	9,200,295	11,318,654	11,221,695	13,479,488	14,369,010	13,837,291	3,534,375	3,833,749
Engineering	-	-	-	-	-	-	-	-	10,642,676	12,321,739
Community services	6,611,580	6,791,555	7,228,250	7,963,767	9,200,826	9,739,208	10,084,652	10,137,221	9,933,581	11,396,863
Police	15,180,842	15,422,161	16,296,584	17,502,258	18,937,778	21,965,119	23,156,588	23,312,992	24,025,334	25,827,854
Fire	13,013,865	13,098,191	13,475,104	15,131,600	16,391,606	19,342,454	20,137,685	20,863,640	22,289,161	24,515,017
Other	4,171,108	4,083,732	4,376,474	-	-	-	-	-	-	-
Interest on long-term debt	971,925	991,790	995,050	1,071,259	1,085,505	1,152,879	1,103,073	1,028,942	1,221,970	1,271,789
Total governmental activities expenses	<u>58,608,422</u>	<u>59,732,431</u>	<u>62,692,134</u>	<u>68,903,331</u>	<u>73,264,395</u>	<u>84,513,525</u>	<u>87,822,131</u>	<u>90,119,487</u>	<u>92,162,112</u>	<u>101,812,071</u>
Business-type activities:										
Airport	6,684,861	7,008,505	6,912,437	7,541,223	8,047,073	8,690,847	9,201,993	9,295,323	8,835,469	9,367,054
Water and sewer	27,540,899	28,883,107	29,984,197	31,282,624	34,615,012	32,828,147	33,642,297	37,130,696	37,401,624	44,838,072
Sanitation	5,314,761	5,071,081	6,988,197	7,299,073	9,115,773	10,129,743	8,450,443	10,489,726	10,813,252	11,310,111
Sports complex	4,650,685	4,616,902	3,603,742	4,319,956	4,276,725	4,404,185	4,337,123	4,382,696	4,242,836	4,364,030
Golf course	1,097,870	1,163,787	1,448,110	1,502,814	1,478,505	1,903,417	1,923,190	1,910,254	2,056,066	2,204,091
Total business-type activities expenses	<u>45,289,076</u>	<u>46,743,382</u>	<u>48,936,683</u>	<u>51,945,690</u>	<u>57,533,088</u>	<u>57,956,339</u>	<u>57,555,046</u>	<u>63,208,695</u>	<u>63,349,247</u>	<u>72,083,358</u>
Total primary government expenses	<u>\$ 103,897,498</u>	<u>\$ 106,475,813</u>	<u>\$ 111,628,817</u>	<u>\$ 120,849,021</u>	<u>\$ 130,797,483</u>	<u>\$ 142,469,864</u>	<u>\$ 145,377,177</u>	<u>\$ 153,328,182</u>	<u>\$ 155,511,359</u>	<u>\$ 173,895,429</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 836,248	\$ 815,161	\$ 736,932	\$ 781,719	\$ 527,757	\$ 447,368	\$ 596,304	\$ 536,478	\$ 620,524	\$ 872,807
Development services	858,130	1,120,819	1,263,840	1,492,539	1,378,365	948,114	818,445	1,781,309	1,998,231	3,940,368
Engineering	-	-	-	-	-	-	-	-	1,963	42,250
Community services	908,581	919,699	1,090,698	1,075,048	1,001,491	929,448	923,658	875,790	898,904	833,761
Police	3,135,333	2,816,797	2,641,553	3,045,172	3,741,616	4,035,131	2,393,857	4,105,681	4,272,412	4,278,076
Fire	1,378,829	929,250	1,179,917	1,329,561	1,974,577	1,775,129	1,838,814	1,767,777	2,034,214	2,001,975
Operating grants and contributions	1,625,602	1,279,426	2,782,305	1,619,363	1,504,100	2,134,574	2,551,762	1,689,509	1,455,109	2,163,187
Capital grants and contributions	2,470,006	2,200,278	3,036,995	4,408,946	7,295,001	4,661,290	2,996,562	4,603,959	3,725,173	8,532,232
Total governmental activities program revenues	<u>11,212,729</u>	<u>10,081,430</u>	<u>12,732,240</u>	<u>13,752,348</u>	<u>17,422,907</u>	<u>14,931,054</u>	<u>12,119,402</u>	<u>15,360,503</u>	<u>15,006,530</u>	<u>22,664,656</u>
Business-type activities:										
Charges for services:										
Airport	6,835,372	6,923,314	7,456,268	8,139,157	8,663,825	7,549,954	7,572,534	8,017,966	8,816,871	9,239,236
Water and sewer	27,764,094	30,841,175	34,648,349	37,812,622	44,267,408	41,138,165	40,370,745	44,728,124	41,236,729	41,945,697
Sanitation	5,761,502	6,320,995	6,598,321	7,465,121	7,906,457	8,504,251	8,982,565	10,679,562	11,636,597	13,965,037
Sports complex	4,129,763	4,624,481	5,646,149	6,505,378	7,278,806	6,565,148	6,541,457	8,360,882	9,781,813	10,572,117
Golf course	1,196,293	1,102,694	1,248,394	1,364,233	1,491,119	1,905,706	1,822,464	2,061,100	2,348,194	2,549,063
Operating grants and contributions	431,238	509,106	470,160	441,440	362,610	353,931	454,463	353,020	382,984	62,557
Capital grants and contributions	5,621,328	9,208,150	6,381,973	6,447,085	3,640,719	10,518,716	3,643,920	5,383,946	6,324,973	7,950,501
Total business-type activities program revenues	<u>51,739,590</u>	<u>59,529,915</u>	<u>62,449,614</u>	<u>68,175,036</u>	<u>73,610,944</u>	<u>76,535,871</u>	<u>69,388,148</u>	<u>79,584,600</u>	<u>80,528,161</u>	<u>86,284,208</u>
Total primary government program revenues	<u>\$ 62,952,319</u>	<u>\$ 69,611,345</u>	<u>\$ 75,181,854</u>	<u>\$ 81,927,384</u>	<u>\$ 91,033,851</u>	<u>\$ 91,466,925</u>	<u>\$ 81,507,550</u>	<u>\$ 94,945,103</u>	<u>\$ 95,534,691</u>	<u>\$ 108,948,864</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (47,395,693)	\$ (49,651,001)	\$ (49,959,894)	\$ (55,150,983)	\$ (55,841,488)	\$ (69,582,471)	\$ (75,702,729)	\$ (74,758,984)	\$ (77,155,582)	\$ (79,147,415)
Business-type Activities	6,450,514	12,786,533	13,512,931	16,229,346	16,077,856	18,579,532	11,833,102	16,375,905	17,178,914	14,200,850
Total primary government net expense	<u>\$ (40,945,179)</u>	<u>\$ (36,864,468)</u>	<u>\$ (36,446,963)</u>	<u>\$ (38,921,637)</u>	<u>\$ (39,763,632)</u>	<u>\$ (51,002,939)</u>	<u>\$ (63,869,627)</u>	<u>\$ (58,383,079)</u>	<u>\$ (59,976,668)</u>	<u>\$ (64,946,565)</u>

General Revenues and Other Changes in Net Position

Governmental activities:

Taxes										
Property taxes	\$ 22,958,149	\$ 24,012,478	\$ 25,661,748	\$ 26,419,543	\$ 28,207,188	\$ 29,537,787	\$ 30,381,016	\$ 32,697,674	\$ 34,238,579	\$ 36,441,787
Sales taxes	14,396,348	16,113,027	19,584,476	22,536,098	25,776,037	23,848,005	23,563,357	30,281,637	35,472,615	39,046,477
Gross receipts taxes	8,554,622	8,942,639	11,841,005	9,905,964	11,082,067	10,507,602	10,640,157	11,232,925	11,210,488	11,427,175
Hotel-motel taxes	1,136,690	1,238,269	1,461,956	1,959,523	2,459,814	2,657,283	2,165,861	3,085,061	4,606,037	5,768,762
Other taxes	234,659	257,005	292,034	345,348	403,169	441,148	415,279	486,648	493,405	570,975
Unrestricted investment earnings	822,442	894,436	1,994,197	2,951,752	1,894,550	1,339,474	1,113,797	782,769	431,732	(1,087,789)
Gain on sale of capital assets	-	-	219,186	-	-	-	-	-	-	-
Miscellaneous	20,549	70,499	11,620	25,941	40,819	93,921	45,720	1,077,093	22,017	85,365
Transfers	3,779,652	3,568,564	3,655,662	3,582,427	517,195	3,368,095	4,037,661	4,388,366	4,115,018	4,079,247
Total governmental activities	<u>51,903,111</u>	<u>55,096,917</u>	<u>64,721,884</u>	<u>67,726,596</u>	<u>70,380,839</u>	<u>71,793,315</u>	<u>72,362,848</u>	<u>84,032,173</u>	<u>90,589,891</u>	<u>96,331,999</u>

Business-type activities:

Investment earnings	1,166,279	1,179,655	2,382,130	3,217,004	2,215,935	1,635,709	1,394,895	1,217,372	587,737	767,187
Transfers	(3,779,652)	(3,568,564)	(3,655,662)	(3,582,427)	(517,195)	(3,368,095)	(4,037,661)	(4,388,366)	(4,115,018)	(4,079,247)
Total business-type activities	<u>(2,613,373)</u>	<u>(2,388,909)</u>	<u>(1,273,532)</u>	<u>(365,423)</u>	<u>1,698,740</u>	<u>(1,732,386)</u>	<u>(2,642,766)</u>	<u>(3,170,994)</u>	<u>(3,527,281)</u>	<u>(3,312,060)</u>
Total primary government	<u>\$ 49,289,738</u>	<u>\$ 52,708,008</u>	<u>\$ 63,448,352</u>	<u>\$ 67,361,173</u>	<u>\$ 72,079,579</u>	<u>\$ 70,060,929</u>	<u>\$ 69,720,082</u>	<u>\$ 80,861,179</u>	<u>\$ 87,062,610</u>	<u>\$ 93,019,939</u>

Changes in Net Position

Governmental Activities	\$ 4,507,418	\$ 5,445,916	\$ 14,761,990	\$ 12,575,613	\$ 14,539,351	\$ 2,210,844	\$ (3,339,881)	\$ 9,273,189	\$ 13,434,309	\$ 17,184,584
Business-type Activities	3,837,141	10,397,624	12,239,399	15,863,923	17,776,596	16,847,146	9,190,336	13,204,911	13,651,633	10,888,790
Total primary government	<u>\$ 8,344,559</u>	<u>\$ 15,843,540</u>	<u>\$ 27,001,389</u>	<u>\$ 28,439,536</u>	<u>\$ 32,315,947</u>	<u>\$ 19,057,990</u>	<u>\$ 5,850,455</u>	<u>\$ 22,478,100</u>	<u>\$ 27,085,942</u>	<u>\$ 28,073,374</u>

(Unaudited-See Accompanying Independent Auditors' Report)

Table 3

CITY OF MIDLAND, TEXAS
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 878,796	\$ 881,945	\$ 919,406
Reserved	1,985,752	2,327,253	3,143,510	5,060,354	5,601,854	12,232,616	8,966,970	-	-	-
Unreserved	16,330,749	17,542,860	25,409,316	29,812,023	32,460,043	27,502,467	29,106,932	-	-	-
Restricted	-	-	-	-	-	-	-	195,668	210,897	209,747
Committed	-	-	-	-	-	-	-	7,728,867	8,486,918	13,353,699
Assigned	-	-	-	-	-	-	-	67,166	73,228	79,102
Unassigned	-	-	-	-	-	-	-	39,704,700	49,024,532	44,298,549
Total general fund	<u>\$ 18,316,501</u>	<u>\$ 19,870,113</u>	<u>\$ 28,552,826</u>	<u>\$ 34,872,377</u>	<u>\$ 38,061,897</u>	<u>\$ 39,735,083</u>	<u>\$ 38,073,902</u>	<u>\$ 48,575,197</u>	<u>\$ 58,677,520</u>	<u>\$ 58,860,503</u>
All Other Governmental Funds										
Reserved	\$ 2,624,518	\$ 3,630,166	\$ 3,877,898	\$ 7,590,172	\$ 3,176,012	\$ 4,392,945	\$ 6,888,698	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	1,832,380	2,113,539	1,245,470	2,420,879	3,929,760	4,394,896	5,952,978	-	-	-
Capital projects funds	4,771,649	7,272,992	2,367,582	3,493,158	2,319,159	6,937,027	4,756,115	-	-	-
Restricted for:										
Debt service	-	-	-	-	-	-	-	448,006	413,744	479,598
Public safety	-	-	-	-	-	-	-	596,708	809,604	567,944
Court	-	-	-	-	-	-	-	596,849	685,740	722,304
Communications	-	-	-	-	-	-	-	-	3,590,536	3,508,930
Downtown	-	-	-	-	-	-	-	644,144	644,886	645,499
Building renovations	-	-	-	-	-	-	-	1,771,388	7,823,627	7,181,818
Streets and drainage	-	-	-	-	-	-	-	6,083,529	8,376,344	7,547,145
Parks and recreation	-	-	-	-	-	-	-	525,786	2,359,965	1,430,161
Other capital projects	-	-	-	-	-	-	-	42,166	-	-
Other purposes	-	-	-	-	-	-	-	4,774,287	5,433,282	8,768,064
Committed to:										
Building renovations	-	-	-	-	-	-	-	269,883	245,817	216,271
Streets and drainage	-	-	-	-	-	-	-	1,015,334	1,482,584	2,568,469
Other purposes	-	-	-	-	-	-	-	2,129,687	3,077,538	3,697,842
Total all other governmental funds	<u>\$ 9,228,547</u>	<u>\$ 13,016,697</u>	<u>\$ 7,490,950</u>	<u>\$ 13,504,209</u>	<u>\$ 9,424,931</u>	<u>\$ 15,724,868</u>	<u>\$ 17,597,791</u>	<u>\$ 18,897,767</u>	<u>\$ 34,943,667</u>	<u>\$ 37,334,045</u>

(Unaudited-See Accompanying Independent Auditors' Report)

Table 4

CITY OF MIDLAND, TEXAS
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues										
Taxes	\$ 47,354,745	\$ 50,511,124	\$ 58,902,891	\$ 61,060,586	\$ 68,058,393	\$ 67,107,946	\$ 67,077,164	\$ 77,835,427	\$ 86,090,547	\$ 93,263,535
Licenses and permits	988,003	1,020,416	1,170,553	1,349,074	1,461,320	1,124,144	1,187,504	1,991,056	2,419,466	4,276,854
Fines and forfeitures	2,248,896	2,283,272	2,425,291	2,667,017	3,166,584	3,134,799	3,276,328	3,648,203	3,808,669	3,891,789
Charges for services	2,410,693	1,943,476	2,093,062	2,239,596	2,289,241	2,553,851	2,356,353	2,311,691	2,685,136	2,564,362
Rentals	214,848	201,274	220,312	214,059	220,283	198,555	211,115	203,293	212,962	302,765
Assessments	97,278	99,270	121,816	109,589	120,613	115,544	116,859	117,117	121,572	133,202
Intergovernmental	1,876,985	1,927,026	3,357,245	2,061,721	1,934,972	4,537,251	4,061,605	2,833,751	2,575,756	2,043,366
Investment earnings	600,425	828,198	1,699,793	2,513,712	1,631,545	1,109,384	974,529	792,232	460,308	(1,054,054)
Contributions and donations	434,356	234,304	865,966	259,596	205,805	612,493	161,187	1,264,310	277,895	625,989
Miscellaneous	521,181	515,864	450,332	633,704	473,926	674,347	725,415	1,782,060	629,871	764,362
Total revenues	<u>56,747,410</u>	<u>59,564,224</u>	<u>71,307,261</u>	<u>73,108,654</u>	<u>79,562,682</u>	<u>81,168,314</u>	<u>80,148,059</u>	<u>92,779,140</u>	<u>99,282,182</u>	<u>106,812,170</u>
Expenditures										
General government	9,811,679	10,705,471	11,222,344	12,170,359	12,213,221	14,083,339	14,314,539	14,797,484	15,370,449	19,451,475
Development services	6,945,427	7,115,914	8,017,698	8,295,919	9,410,143	11,692,087	11,090,190	10,639,275	2,484,995	2,618,009
Engineering									7,700,839	15,188,449
Community services	6,033,278	6,591,145	7,211,703	7,246,431	8,595,533	9,037,633	9,783,237	9,591,163	10,597,142	10,018,185
Police	15,237,947	15,692,926	16,361,191	17,505,378	19,210,537	20,668,423	21,044,525	21,393,542	22,766,719	24,538,644
Fire	13,121,068	13,627,472	13,668,119	15,348,015	16,466,900	18,337,470	18,203,854	18,782,600	20,918,880	22,905,985
Other	4,487,683	4,367,939	4,638,911	4,515,769	4,936,332	5,446,695	5,517,045	4,486,670	5,004,512	6,404,129
Capital outlay	1,485,800	1,765,279	7,717,921	2,965,213	6,336,797	5,806,226	433,004	1,810,455	1,153,962	3,602,650
Debt services:										
Principal	2,060,961	2,227,787	2,484,724	2,691,551	2,808,488	2,274,389	2,530,065	2,812,808	2,891,115	2,818,125
Interest	1,043,591	886,932	1,074,354	876,390	1,282,233	887,869	1,325,357	1,040,860	954,843	1,600,143
Debt issuance costs	-	93,138	-	83,852	-	153,789	-	-	157,813	-
Refunding bond issuance costs and escrow	-	-	-	-	-	207,720	-	-	-	-
Paying agents' fees	2,797	3,070	3,081	3,081	3,143	2,481	1,051	1,051	1,051	1,293
Total expenditures	<u>60,230,231</u>	<u>63,077,073</u>	<u>72,400,046</u>	<u>71,701,958</u>	<u>81,263,327</u>	<u>88,598,121</u>	<u>84,242,867</u>	<u>85,355,908</u>	<u>90,002,320</u>	<u>109,147,087</u>
Excess of revenues over (under) expenditures	(3,482,821)	(3,512,849)	(1,092,785)	1,406,696	(1,700,645)	(7,429,807)	(4,094,808)	7,423,232	9,279,862	(2,334,917)
Other Financing Sources (Uses)										350,000
Sale of capital assets	-	-	323,475	168,000	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-	7,708,926	-	-	-	-
Issuance of long-term debt	-	4,950,000	-	6,910,000	-	9,850,132	-	-	13,589,132	-
Payment to refunded bond escrow agent	-	-	-	-	-	(7,638,159)	-	-	-	-
Premium on debt issuance	-	45,950	-	181,709	-	281,634	-	-	770,560	-
Accrued interest on debt issuance	-	21,989	-	32,093	-	47,160	-	-	499	-
Transfers in	4,207,723	4,046,110	4,343,644	4,377,586	4,423,913	6,111,466	4,778,476	5,055,682	5,042,997	5,150,925
Transfers out	(134,231)	(209,438)	(417,368)	(743,274)	(3,613,026)	(958,229)	(471,926)	(677,643)	(2,534,827)	(592,647)
Total other financing sources (uses)	<u>4,073,492</u>	<u>8,854,611</u>	<u>4,249,751</u>	<u>10,926,114</u>	<u>810,887</u>	<u>15,402,930</u>	<u>4,306,550</u>	<u>4,378,039</u>	<u>16,868,361</u>	<u>4,908,278</u>
Net change in fund balances	<u>\$ 590,671</u>	<u>\$ 5,341,762</u>	<u>\$ 3,156,966</u>	<u>\$ 12,332,810</u>	<u>\$ (889,758)</u>	<u>\$ 7,973,123</u>	<u>\$ 211,742</u>	<u>\$ 11,801,271</u>	<u>\$ 26,148,223</u>	<u>\$ 2,573,361</u>
Debt service as a percentage of noncapital expenditures	5.3%	5.2%	5.7%	5.3%	5.6%	4.0%	4.8%	4.8%	4.5%	4.6%

Note: Noncapital expenditures excludes capital expenditures reported in the various functional categories of current expenditures presented above.

(Unaudited-See Accompanying Independent Auditors' Report)

Table 5

CITY OF MIDLAND, TEXAS
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years

Fiscal Year	Ad Valorem Tax	City Sales Tax	Gross Receipts Tax	Mixed Beverage Tax	Hotel Motel Tax	Miscellaneous	Totals
2004	\$ 23,032,425	\$ 14,396,348	\$ 8,554,623	\$ 185,001	\$ 1,136,690	\$ 49,658	\$ 47,354,745
2005	23,960,184	16,113,027	8,942,639	199,725	1,238,269	57,280	50,511,124
2006	25,723,420	19,584,476	11,841,005	232,892	1,461,956	59,142	58,902,891
2007	26,313,653	22,536,098	9,905,964	267,407	1,959,523	77,941	61,060,586
2008	28,337,306	25,776,037	11,082,067	319,331	2,459,814	83,838	68,058,393
2009	29,653,908	23,848,005	10,507,602	355,131	2,657,283	86,017	67,107,946
2010	30,292,510	23,563,357	10,640,157	334,730	2,165,861	80,549	67,077,164
2011	32,749,156	30,281,637	11,232,925	392,121	3,085,061	94,527	77,835,427
2012	34,308,002	35,472,615	11,210,488	383,897	4,606,037	109,508	86,090,547
2013	36,450,146	39,046,477	11,427,175	439,907	5,768,762	131,068	93,263,535
Change 2004-2013	58.3%	171.2%	33.6%	137.8%	407.5%	163.9%	96.9%

(Unaudited-See Accompanying Independent Auditors' Report)

Table 6

CITY OF MIDLAND, TEXAS
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended September 30,	Real Property	Personal Property	Minerals Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2004	\$ 3,285,374	\$ 561,123	\$ 12,808	\$ 343,428	\$ 3,515,877	\$ 0.6464
2005	3,449,861	580,053	15,953	344,824	3,701,043	0.6424
2006	3,656,062	610,948	24,999	344,419	3,947,590	0.6420
2007	4,111,423	682,286	37,335	403,036	4,428,008	0.5870
2008	5,176,698	739,893	38,426	776,942	5,178,075	0.5386
2009	6,141,934	792,798	45,844	971,455	6,009,121	0.4859
2010	6,543,503	808,358	36,343	874,523	6,513,681	0.4568
2011	6,657,433	750,432	51,731	702,824	6,756,772	0.4729
2012	6,844,436	806,228	47,912	603,653	7,094,923	0.4705
2013	7,329,781	931,865	60,452	600,770	7,721,328	0.4611

Source: Midland Central Appraisal District

Note: Property in the city is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

Table 7

CITY OF MIDLAND, TEXAS
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Year	City Direct Rates			Overlapping Rates ^a			
	Basic Rate	General Obligation Debt Service	Total Direct	Midland Independent School District	Midland Junior College	Midland County	Midland County Hospital District
2004	\$ 0.5611	\$ 0.0853	\$ 0.6464	\$ 1.6269	\$ 0.1906	\$ 0.2939	\$ 0.1499
2005	0.5604	0.0820	0.6424	1.6425	0.1906	0.2939	0.1715
2006	0.5545	0.0875	0.6420	1.6275	0.2247	0.2885	0.1684
2007	0.5102	0.0768	0.5870	1.4575	0.2062	0.2488	0.1571
2008	0.4633	0.0753	0.5386	1.1681	0.1911	0.2305	0.1423
2009	0.4352	0.0507	0.4859	1.1651	0.1729	0.2075	0.1202
2010	0.3975	0.0593	0.4568	1.1526	0.1719	0.2118	0.1813
2011	0.4172	0.0557	0.4729	1.1451	0.1699	0.2118	0.1663
2012	0.4185	0.0521	0.4705	1.1411	0.1679	0.1982	0.1622
2013	0.4040	0.0570	0.4611	1.1301	0.1332	0.1402	0.1251

Source: Midland Central Appraisal District

Note: Rates for debt service are set based on each year's requirements.

^a Overlapping rates are those of local and county governments that apply to property owners within the City of Midland.

Table 8

CITY OF MIDLAND, TEXAS
Principal Property Tax Payers
Current Year and Nine Years Ago

Fiscal Year 2013			Fiscal Year 2004		
<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>
TRA Midland Properties LLC	\$ 75,495,030	0.98%	Southwestern Bell Telephone	\$ 46,251,260	1.32%
TXU Electric Delivery Co.	43,437,900	0.56%	ONCOR Electric Delivery Co.	40,592,260	1.15%
Midland Park Mall, LP	36,042,430	0.47%	Simon Property Group	24,571,280	0.70%
Basic Energy Service	30,744,520	0.40%	Cumming Baccus Midland LP	16,425,000	0.47%
Claydesta Buildings LP	27,460,610	0.36%	Cox Communications	12,809,080	0.36%
Palms at Briarwood LLC	20,015,000	0.26%	MRO Southwest, Inc.	12,802,010	0.36%
Southwestern Bell Telephone	19,859,220	0.26%	Claydesta Building LP	11,978,500	0.34%
Fasken Midland LLC	19,177,650	0.25%	W B Summit Properties Inc	10,955,700	0.31%
KLP Blue Ridge Apts LP	16,500,000	0.21%	A T & T Communications	8,358,450	0.24%
The Clusters Apartments	15,147,160	0.20%	Scharbauer Cattle Company	7,386,410	0.21%
Total	<u>\$ 303,879,520</u>	<u>3.95%</u>	Total	<u>\$ 192,129,950</u>	<u>5.46%</u>

Source: Midland Central Appraisal District

Table 9

CITY OF MIDLAND, TEXAS
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Adjustments to the Levy	Adjusted Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 22,726,390	\$ (3,711)	\$ 22,722,679	\$ 22,320,900	98.23%	\$ 378,148	\$ 22,699,047	99.90%
2005	23,775,520	(47,056)	23,728,464	23,288,426	98.15%	410,213	23,698,639	99.87%
2006	25,343,526	(46,893)	25,296,633	24,907,178	98.46%	363,667	25,270,845	99.90%
2007	25,992,405	(138,286)	25,854,120	25,457,058	98.46%	363,606	25,820,665	99.87%
2008	27,889,113	(218,159)	27,670,954	27,287,802	98.62%	346,579	27,634,381	99.87%
2009	29,198,318	(127,435)	29,070,883	28,644,131	98.53%	386,012	29,030,143	99.86%
2010	29,754,496	(90,545)	29,663,952	29,260,114	98.64%	338,169	29,598,282	99.78%
2011	31,949,398	(61,046)	31,888,352	31,522,686	98.85%	238,584	31,761,269	99.60%
2012	33,384,453	33,163	33,417,616	33,021,270	98.81%	254,296	33,275,566	99.57%
2013	35,601,095	41,095	35,642,190	35,221,625	98.82%	-	35,221,625	98.82%

Source: Midland Central Appraisal District

Table 10

CITY OF MIDLAND, TEXAS
Taxable Sales by Category
Last Ten Calendar Years
(in thousands of dollars)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Agriculture, Forestry, Fishing, Hunting	\$ 5	\$ 4	\$ 61	\$ 42	\$ 6	\$ 9	\$ 2	\$ 1	\$ 3	\$ 2
Mining	84,674	120,800	116,080	139,760	157,197	183,665	131,288	259,423	468,320	538,191
Utilities	6,111	3,589	1,280	1,357	1,701	4,128	1,614	1,109	12	215
Construction	26,753	34,640	41,189	48,495	60,430	65,047	54,739	69,073	90,610	127,203
Manufacturing	30,835	41,970	39,072	43,380	49,102	54,214	46,183	53,011	71,407	80,801
Wholesale Trade	53,399	69,311	99,366	120,684	195,254	403,058	163,054	240,314	327,609	324,387
Retail Trade	686,588	777,440	906,881	966,680	999,585	1,043,751	984,145	1,060,820	1,249,127	1,332,609
Transportation, Warehousing	2,014	1,326	1,413	3,157	4,394	5,158	5,645	10,210	17,847	30,790
Information	36,962	37,696	41,354	43,985	42,621	43,895	41,168	43,214	49,424	53,460
Finance, Insurance	2,570	2,456	2,461	3,142	3,848	5,265	8,570	3,843	3,978	4,248
Real Estate, Rental, Leasing	19,220	20,631	17,134	22,071	31,128	46,016	28,232	37,188	64,100	82,602
Professional, Scientific, Technical Svc	28,029	38,157	48,672	64,733	78,849	69,681	41,756	73,569	86,885	130,234
Management of Companies, Enterprises	-	6,146	6,114	4,586	-	-	-	-	1	-
Admin, Support, Waste Mgmt, Remed	40,582	47,333	35,324	33,316	34,491	37,813	38,487	37,205	41,560	48,334
Educational Services	330	469	429	448	592	537	637	646	601	201
Health Care, Social Assistance	771	704	748	995	1,037	1,957	2,075	2,220	2,875	3,575
Arts, Entertainment, Recreation	10,496	12,936	13,038	13,653	21,648	25,214	23,935	24,042	26,962	33,916
Accommodation, Food Services	134,267	141,467	156,470	177,495	191,076	213,062	207,058	222,912	257,748	294,036
Other Services	29,186	31,505	36,107	41,859	45,827	49,190	43,962	48,100	59,119	73,895
Public Administration	1,112	1,177	1,289	2,916	6,409	1,467	1,593	1,846	1,976	2,146
Other	1,790	599	327	3	-	-	10,522	-	-	-
Total	<u>\$ 1,195,694</u>	<u>\$ 1,390,356</u>	<u>\$ 1,564,809</u>	<u>\$ 1,732,757</u>	<u>\$ 1,925,195</u>	<u>\$ 2,253,127</u>	<u>\$ 1,834,665</u>	<u>\$ 2,188,746</u>	<u>\$ 2,820,164</u>	<u>\$ 3,160,845</u>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Source: Texas Comptroller of Public Accounts

Table 11

CITY OF MIDLAND, TEXAS
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Fiscal Year	City Direct Rate	Midland County	Midland Football/Soccer and Baseball Complex Development Corporation	Midland Development Corporation
2004	1.00%	0.50%	0.25%	0.25%
2005	1.00%	0.50%	0.25%	0.25%
2006	1.00%	0.50%	0.25%	0.25%
2007	1.00%	0.50%	0.25%	0.25%
2008	1.00%	0.50%	0.25%	0.25%
2009	1.00%	0.50%	0.25%	0.25%
2010	1.00%	0.50%	0.25%	0.25%
2011	1.00%	0.50%	0.25%	0.25%
2012	1.00%	0.50%	0.25%	0.25%
2013	1.00%	0.50%	0.25%	0.25%

(Unaudited-See Accompanying Independent Auditors' Report)

Table 12

CITY OF MIDLAND, TEXAS
Sales Tax Revenue Payers by Industry
Current Calendar Year and Nine Years Ago
(in thousands of dollars)

	2012				2003			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Agriculture, Forestry, Fishing, Hunting	10	0.20 %	\$ -	- %	8	0.19 %	\$ -	- %
Mining	263	5.22	5,382	17.03	133	3.14	852	7.19
Utilities	10	0.20	2	0.01	8	0.19	61	0.51
Construction	397	7.88	1,272	4.02	276	6.51	272	2.30
Manufacturing	283	5.61	808	2.56	136	3.21	254	2.14
Wholesale Trade	281	5.57	3,244	10.26	222	5.23	527	4.45
Retail Trade	1,671	33.15	13,326	42.16	1,692	39.90	6,918	58.39
Transportation, Warehousing	57	1.13	308	0.97	24	0.57	20	0.17
Information	78	1.55	535	1.69	100	2.36	376	3.17
Finance, Insurance	42	0.83	42	0.13	35	0.83	24	0.20
Real Estate, Rental, Leasing	189	3.75	826	2.61	84	1.98	194	1.64
Professional, Scientific, Technical Svc	348	6.90	1,302	4.12	267	6.30	292	2.46
Management of Companies, Enterprises	5	0.10	-	-	3	0.07	-	-
Admin, Support, Waste Mgmt, Remed	260	5.16	483	1.53	257	6.06	277	2.34
Educational Services	63	1.25	6	0.02	50	1.18	3	0.03
Health Care, Social Assistance	45	0.89	36	0.11	28	0.66	7	0.06
Arts, Entertainment, Recreation	119	2.36	339	1.07	56	1.32	107	0.90
Accommodation, Food Services	425	8.43	2,940	9.30	317	7.47	1,350	11.39
Other Services	451	8.95	739	2.34	389	9.17	286	2.41
Public Administration	4	0.08	21	0.07	4	0.09	11	0.09
Nonclassifiable	-	-	-	-	-	-	-	-
Other	40	0.79	-	-	152	3.58	17	0.14
Total	5,041	100.00 %	\$ 31,611	100.00 %	4,241	100.00 %	\$ 11,848	100.00 %

Source: Texas Comptroller of Public Accounts

Notes: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the city's revenue.

(Unaudited-See Accompanying Independent Auditors' Report)

Table 13

CITY OF MIDLAND, TEXAS
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Obligation	Other Obligations	Revenue Bonds	General Obligation Refunding Bonds	Certificates of Obligation	Other Obligations			
2004	\$ 3,640,000	\$ 18,226,024	\$ 845,000	\$ 29,265,000	\$ -	\$ 52,878,976	\$ 55,100	\$ 104,910,100	2.41%	\$ 848
2005	2,770,000	21,873,237	790,000	27,455,000	-	51,206,763	51,950	104,146,950	2.18%	832
2006	1,860,000	20,358,513	730,000	25,575,000	42,130,000	5,786,487	47,650	96,487,650	1.73%	760
2007	935,000	25,566,962	665,000	18,810,000	40,220,000	58,043,038	43,900	144,283,900	2.25%	1,107
2008	-	23,763,474	595,000	17,385,000	38,240,000	56,751,526	39,850	136,774,850	2.01%	1,025
2009	7,609,852	23,875,000	525,000	15,895,000	36,635,148	54,110,000	35,400	138,685,400	1.50%	1,012
2010	6,189,787	22,840,000	450,000	14,325,000	34,410,213	51,930,000	-	130,145,000	1.74%	923
2011	4,731,979	21,565,000	370,000	12,685,000	31,288,021	48,695,000	-	119,335,000	1.37%	842
2012	3,245,864	33,835,000	285,000	10,955,000	28,049,136	63,115,000	-	139,485,000	1.24%	962
2013	2,127,739	32,225,000	195,000	-	24,682,261	61,350,000	-	120,580,000	0.96%	795

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^a See Table 18 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Table 14

CITY OF MIDLAND, TEXAS
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Resources Restricted for Repayment of Outstanding Debt Principal	Net General Bonded Debt	Percentage of Actual Taxable Value ^a of Property	Net General Bonded Debt Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	Total				
2004	\$ 3,640,000	\$ 18,226,024	\$ 21,866,024	\$ 249,638	\$ 21,616,386	0.61%	\$ 216
2005	2,770,000	21,873,237	24,643,237	302,273	\$ 24,340,964	0.66%	251
2006	1,860,000	20,358,513	22,218,513	336,219	\$ 21,882,294	0.55%	243
2007	935,000	25,566,962	26,501,962	328,541	\$ 26,173,421	0.59%	291
2008	-	23,763,474	23,763,474	245,073	\$ 23,518,401	0.45%	231
2009	7,609,852	23,875,000	31,484,852	328,948	\$ 31,155,904	0.52%	350
2010	6,189,787	22,840,000	29,029,787	419,353	\$ 28,610,434	0.44%	232
2011	4,731,979	21,565,000	26,296,979	448,006	\$ 25,848,973	0.38%	234
2012	3,245,864	33,835,000	37,080,864	413,744	\$ 36,667,120	0.52%	401
2013	2,127,739	32,225,000	34,352,739	479,598	\$ 33,873,141	0.44%	364

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^a See Table 6 for property value data.

^b See Table 18 for per capita data.

Table 15

CITY OF MIDLAND, TEXAS
Direct and Overlapping Governmental Activities Debt
As of September 30, 2013

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Midland Independent School District	\$ 179,870,936	53.25%	\$ 95,781,273
Midland Junior College	30,576,550	49.44%	15,117,046
Midland County	26,495,000	47.58%	12,606,321
Midland County Hospital District	108,550,000	46.65%	50,638,575
Subtotal, overlapping debt			174,143,216
City of Midland (direct debt)			<u>35,213,515</u>
Total direct and overlapping debt			<u><u>\$ 209,356,731</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Midland Central Appraisal District and Assessment Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Midland. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

^a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Table 16

CITY OF MIDLAND, TEXAS
Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 7,721,328,048
Debt limit (8% of assessed value)	617,706,244
Debt applicable to limit:	
Total bonded debt	120,580,000
Less:	
Net assets in Debt Service Fund	(480)
Water and Sewer bonds	(1,408)
Airport bonds	(873)
Sports Complex bonds	(1,251)
Golf Course bonds	(34)
Total net debt applicable to limit	<u>120,575,954</u>
Debt margin	<u><u>\$ 497,130,290</u></u>

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 281,270	\$ 296,083	\$ 315,807	\$ 354,241	\$ 414,246	\$ 480,730	\$ 521,094	\$ 540,542	\$ 567,594	\$ 617,706,244
Total net debt applicable to limit	<u>98,641</u>	<u>97,655</u>	<u>89,167</u>	<u>135,646</u>	<u>129,604</u>	<u>131,476</u>	<u>122,737</u>	<u>111,659</u>	<u>131,479</u>	<u>120,575,954</u>
Debt margin	<u>\$ 182,629</u>	<u>\$ 198,428</u>	<u>\$ 226,640</u>	<u>\$ 218,595</u>	<u>\$ 284,642</u>	<u>\$ 349,254</u>	<u>\$ 398,357</u>	<u>\$ 428,883</u>	<u>\$ 436,115</u>	<u>\$ 497,130,290</u>
Total net debt applicable to the limit as a percentage of debt limit	35.07%	32.98%	28.23%	38.29%	31.29%	27.35%	23.55%	20.66%	23.16%	19.52%

Note: The Constitution and Statutes of the state of Texas and the Charter of the City of Midland do not provide for a legal debt limit. The 8% debt limit rate used herein is that recommended by the Finance Advisory Board of the City of Midland and adopted by the City Council as a guideline of safe debt limit.

Included in the total amount of debt applicable to debt limit is \$59,670,000 Tax and Limited Pledge applicable to debt limit is \$59,670,000 Revenue Certificates of Obligation and \$1,680,000 Combination Tax and Revenue Refunding Bonds; and \$4,600,000 Tax and Airport Subordinate Lien Revenue Certificates of Obligation; and \$127,261 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation; and \$19,955,000 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation. Principal and interest on these certificates are being financed by the Water and Sewer Fund, Airport Fund, and the Golf Course Fund, and the Scharbauer Sports Complex Fund, respectively.

Table 17

CITY OF MIDLAND, TEXAS
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Revenue Bonds					Airport Revenue Bonds				
	Gross Revenue ^a	Operating Expense ^b	Net Revenue Available for Debt Service	Revenue Bond Debt Service ^c	Coverage	Gross Revenue ^a	Operating Expense ^b	Net Revenue Available For Debt Service	Revenue Bond Debt Service ^c	Coverage
2004	\$ 28,384,654	\$ 24,477,287	\$ 3,907,367	\$ 2,824,705	1.38	\$ 7,040,355	\$ 4,104,996	\$ 2,935,359	\$ 174,863	16.79
2005	31,721,170	25,872,779	5,848,391	2,939,791	1.99	7,136,960	4,380,702	2,756,258	167,963	16.41
2006	36,551,272	26,941,508	9,609,764	2,898,879	3.31	7,711,547	4,701,521	3,010,026	160,913	18.71
2007	38,843,893	26,519,562	12,324,331	2,273,232	5.42	8,435,823	4,891,659	3,544,164	151,149	23.45
2008	44,358,068	29,955,214	14,402,854	2,204,304	6.53	8,933,959	5,269,760	3,664,200	-	-
2009	42,384,339	29,737,767	12,646,572	2,134,553	5.92	7,799,712	5,678,225	2,121,487	-	-
2010	41,059,387	29,904,315	11,155,072	2,140,761	5.21	7,928,367	6,081,691	1,846,676	-	-
2011	45,273,768	32,305,890	12,967,878	2,121,268	6.11	8,237,826	5,725,677	2,512,149	-	-
2012	41,572,651	30,434,690	11,137,961	2,064,539	5.39	9,076,228	5,493,295	3,582,933	-	-
2013	45,643,890	37,058,319	8,585,571	-	-	9,321,595	5,859,056	3,462,539	-	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^a The sum of operating revenue and net nonoperating income, excluding interest expense, reduced by interest

^b Total expense exclusive of depreciation, interest, and amortization expenses.

^c Excludes debt defeasance transactions.

Table 18

CITY OF MIDLAND, TEXAS
Demographic and Economic Statistics
Last Ten Calendar Years

<u>Year</u>	<u>Population</u>	<u>Personal Income (in thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2003	96,402	\$ 4,355,802	\$ 35,208	33.5	20,711	5.0%
2004	97,837	4,783,597	38,225	34.3	20,917	4.5%
2005	101,033	5,561,928	43,807	34.1	20,622	3.7%
2006	102,073	6,417,860	49,259	34.1	20,601	3.4%
2007	104,156	6,795,471	50,922	34.2	20,293	3.2%
2008	106,499	9,239,870	67,415	34.2	21,310	2.9%
2009	108,896	7,492,894	53,161	34.2	20,565	5.5%
2010	111,147	8,684,067	61,260	33.1	20,504	5.3%
2011	113,846	11,233,197	77,495	33.4	22,130	4.4%
2012	119,385	12,595,330	83,049	33.6	23,017	3.5%

Sources: Population estimates are prepared by City of Midland personnel. US Census population is used in census years. Personal income and per capita personal income provided by Bureau of Economic Analysis. Median age provided by Midland Development Corporation. School enrollment provided by Midland Independent School District. Unemployment data provided by Bureau of Labor Statistics.

Table 19

CITY OF MIDLAND, TEXAS
Principal Employers
Current Year and Nine Years Ago

2013			2004		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Midland Independent School District	2,919	3.00%	Midland Independent School District	3,348	5.45%
Dawson Geophysical	1,244	1.28%	Key Energy Services, Inc.	2,072	3.37%
Midland Memorial Hospital	1,670	1.72%	Basic Energy Services	1,500	2.44%
Wal-Mart Super Center	950	0.98%	Midland Memorial Hospital and Medical Center	1,300	2.11%
City of Midland	880	0.90%	Cingular Wireless	1,100	1.79%
Midland College	735	0.75%	Midland Junior College	995	1.62%
Baker & Hughes	600	0.62%	Warren Equipment Companies	949	1.54%
Warren-Cat	597	0.61%	City of Midland	897	1.46%
Midland County	541	0.56%	Oxy Permian USA, Inc	625	1.02%
Concho Resources	509	0.52%	Midland County	560	0.91%
Total	<u>10,645</u>	<u>10.93%</u>		<u>13,346</u>	<u>21.71%</u>

Source: Midland Chamber of Commerce, Bureau of Labor Statistics, individual employers

Table 20

CITY OF MIDLAND, TEXAS
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General government										
Administration	6	6	6	5	5	6	5	5	8	9
Support services	85	93	98	118	120	123	120	122	114	113
Fiscal management	15	15	15	15	15	17	17	18	17	16
Development services	92	83	88	96	93	105	96	92	89	31
Engineering	-	-	-	-	-	-	-	-	-	58
Community services	67	60	62	66	65	72	68	65	70	72
Police	206	205	206	206	208	222	220	223	225	226
Fire	189	187	187	190	193	191	191	184	181	178
Other	26	27	27	1	2	1	1	1	-	1
Airport	26	24	26	26	25	30	29	27	26	29
Water and sewer	106	100	96	100	96	104	93	88	86	84
Sanitation	46	47	45	46	48	51	46	48	51	51
Sports complex	-	-	-	-	-	-	-	-	-	-
Golf course	9	9	10	9	8	10	10	8	9	9
Total	873	856	866	878	878	932	896	881	876	877

Source: City departments

Table 21

CITY OF MIDLAND, TEXAS
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Engineering										
Street resurfacing (miles)	N/A	N/A	10.43	6.96	10.51	13.03	-	16.51	-	10.57
Potholes repaired	N/A	N/A	14,544	15,835	12,755	17,414	39,622	8,495	19,794	8,939
Community services										
Animal control animals handled	11,876	10,857	10,690	11,229	10,906	10,711	8,472	6,706	7,087	6,823
Health department immunizations given	17,766	15,015	15,275	19,757	22,372	25,452	22,251	22,989	16,521	13,183
Police										
Traffic citations	18,361	13,721	14,945	13,774	18,354	18,318	17,076	16,364	17,795	20,332
Parking citations	4,448	5,844	6,131	4,277	5,173	4,468	4,111	4,539	3,508	898
Criminal misdemeanor citations	7,489	6,651	6,687	6,624	6,583	5,713	5,198	5,054	4,993	4,587
Fire										
Emergency responses	5,859	6,262	7,238	7,484	8,860	8,873	10,829	12,674	8,629	17,418
Fires extinguished	507	587	606	537	600	661	543	818	533	637
Inspections	5,027	5,329	3,895	4,502	6,117	5,843	6,647	5,246	2,932	8,629
Airport										
Major airlines	3	3	3	3	4	3	3	4	4	4
Passengers boardings	405,413	440,723	466,419	489,369	496,911	433,738	426,288	463,874	267,654	621,317
Commercial Landings	7,881	8,020	8,290	8,580	8,277	7,691	7,936	7,765	3,661	10,949
Water and sewer										
New accounts - net	412	673	1,188	1,056	916	249	260	523	38,087	632
Water main breaks	93	53	42	84	41	54	61	79	81	74
Average daily consumption (MGD)	23.350	22.200	23.747	20.867	24.516	24.308	22.821	23.531	15.532	15.717
Peak daily consumption (MGD)	41.919	41.593	43.360	33.971	42.349	42.347	40.041	35.374	27.116	23.198
Average daily sewage treatment (MGD)	12.273	11.975	10.950	12.025	11.665	11.663	10.005	10.553	10.123	9.241
Sanitation										
Refuse collected (tons)	127,111	148,677	149,514	171,795	188,450	210,373	180,422	200,711	195,663	223,796
Recyclables collected (tons)	5,849	5,101	4,448	4,774	5,020	1,787	2,016	1,547	1,506	1,315
Sports complex										
Baseball stadium attendance ^a	12,493	11,396	30,462	31,366	332,497	325,064	329,688	322,272	331,195	343,615
Football/soccer stadium attendance	160,392	152,273	181,043	179,677	162,354	172,977	167,086	197,665	123,475	105,600
Golf course										
Attendance	52,663	50,281	54,572	59,933	64,451	62,940	57,104	60,236	63,205	68,291
Tournaments	109	120	125	150	118	89	90	90	82	88

Source: City departments

Notes: N/A - Data not available

^a Beginning fiscal year 2008, attendance for baseball games, concerts, and outdoor events are included in the count for baseball stadium attendance.

Table 22

CITY OF MIDLAND, TEXAS
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Engineering										
Streets - paved (miles)	569	561	574	566	571	584	736	741	597	616
Streets - unpaved (miles)	35	21	16	14	12	12	29	28	33	14
Alleys - paved (miles)	100	103	103	109	123	125	133	133	128	136
Streetlights	5,496	5,763	5,523	5,667	6,020	6,005	6,050	6,096	6,209	6,272
Signalized locations	115	118	117	117	116	116	117	118	118	118
Community services										
Parks acreage	1,254	1,256	1,256	1,256	1,256	1,256	1,275	1,275	1,275	1,342
Playgrounds	38	38	38	40	40	40	39	39	39	39
Baseball/softball diamonds	82	82	82	82	64	64	64	64	64	64
Football/soccer fields	56	56	56	56	52	52	49	49	49	49
Community Centers	1	1	1	1	1	1	1	1	1	1
Senior Centers	2	2	2	2	2	2	2	2	2	2
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Marked patrol units	N/A	N/A	116	130	128	114	110	138	138	160
Fire										
Stations	9	9	9	9	9	9	9	9	9	9
Airport										
Primary runway (feet)	9,501	9,501	9,501	9,501	9,501	9,501	9,501	9,501	9,501	9,501
Primary crosswind runway (feet)	8,305	8,305	8,305	8,305	8,302	8,302	8,302	8,302	8,302	8,302
General aviation runways (feet)	8,944	8,944	8,944	8,944	8,944	8,944	8,944	8,944	8,944	8,944
Water and sewer										
Water mains (miles)	700	735	805	818	838	861	668	771	782	714
Fire hydrants	2,795	2,926	2,998	3,121	3,202	3,301	3,297	3,425	3,418	3,412
System capacity (million gallons)	60	51	51	51	51	51	51	51	51	55
Sanitary sewers (miles)	513	529	572	577	591	600	527	585	591	555
Storm sewers (miles)	46	54	54	46	47	47	43	43	44	44
Sanitation										
Refuse trucks	N/A	N/A	38	43	42	42	43	46	37	38
Sports complex										
Stadiums	2	2	2	2	2	2	2	2	2	2
Golf course										
Courses	2	2	2	2	2	2	2	2	2	2
Holes	36	36	36	36	36	36	36	36	36	36

Source: City departments

Notes: N/A - Data not available



SUPPLEMENTAL SECTION

(Unaudited)

The supplemental section contains certain bond and financial information presented in compliance with Securities and Exchange Commission Rule 15c2-12, as amended.

TAX SUPPORTED DEBT

(Unaudited)

City of Midland, Texas

Table 1 - Valuation, Exemptions and General Obligation Debt

2013 Market Valuation Established By Midland Central Appraisal District (excluding totally exempt property)		\$ 9,092,090,221
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead Exemptions	\$ 185,763,897	
Disabled Veterans	4,665,420	
Abatements	0	
Open-Space and Land Use Restrictions and Tax Increment Value	<u>64,104,842</u>	<u>254,534,159</u>
2013 Taxable Assessed Valuation		\$ 8,837,556,062
City Funded Debt Payable From Ad Valorem Taxes (as of 9-30-13)		
General Obligation Bonds and Certificates of Obligation (1)	\$ <u>120,385,000</u>	
Funded Debt Payable from Ad Valorem Taxes		\$ 120,385,000
Less: Self Supporting Debt (2)		
Scharbauer Sports Complex General Obligation Debt	\$ 19,955,000	
Water and Sewer General Obligation Debt	61,350,000	
Airport General Obligation Debt	<u>4,600,000</u>	<u>85,905,000</u>
General Purpose Funded Debt Payable from Ad Valorem Taxes		\$ 34,480,000
Interest and Sinking Fund (as of 9-30-13) (3)		\$ 513,689
Ratio Funded Debt to Taxable Assessed Valuation		1.36%
Ratio General Purpose Funded Debt to Taxable Assessed Valuation		0.39%
2013 Estimated Population	124,804	
Per Capita 2013 Taxable Assessed Valuation	\$ 70,811.48	
Per Capita Total Funded Debt	\$ 964.59	
Per Capita General Purpose Funded Debt	\$ 276.27	

(1) The above statement of indebtedness includes no Waterworks and Sewer System Revenue Bonds as final payment on the last outstanding revenue bond was made on March 1, 2013. The statement also does not include any Waterworks and Sewer System Junior Lien Revenue Bonds, Series 1999 as all outstanding bonds were redeemed on April 3, 2013.

(2) The City provides for debt service on general obligation debt issued to fund a Football /Soccer and Baseball Sports Complex and Airport improvements from surplus (net) revenues of these systems. Included in the net revenues of the Scharbauer Sports Complex are receipts from a 1/4 of 1% sales tax received from the Midland Football/Soccer and Baseball Complex Development Corporation.

"Scharbauer Sports Complex General Obligation Debt" consists of \$19,955,000 General Obligation Refunding Bonds, Series 2006B

"Water and Sewer General Obligation Debt" consists of \$44,090,000 Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007 and \$1,680,000 Tax and Revenue Refunding Bonds, Series 2007 and \$15,580,000 Tax and Limited Pledge Revenue Certificates of 2012 Certificates of Obligation.

"Airport General Obligation Debt" consists of \$4,600,000 General Obligation Refunding Bonds, Series 2006A.

(3) Excludes \$1,251,394 to the credit of the Interest and Sinking Fund for Scharbauer Sports complex General Obligation Debt, \$1,407,668 to the credit of the Water and Sewer General Obligation Debt, and \$872,725 to the credit of the Interest and Sinking Fund for Airport General Obligation Debt.

City of Midland, Texas

Table 2 - Taxable Assessed Valuations by Category

Category	Taxable Appraised Value for Fiscal Year Ended 9-30					
	2014		2013		2012	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 5,707,614,570	60.07%	\$ 5,115,928,260	61.47%	\$ 4,767,285,960	61.92%
Real, Residential, Multi-Family	543,209,910	5.72%	438,623,740	5.27%	419,574,040	5.45%
Real, Vacant Lots/Tracts	226,359,700	2.38%	186,972,900	2.25%	176,793,950	2.30%
Real, Acreage (Land Only)	133,623,230	1.41%	99,080,780	1.19%	90,204,850	1.17%
Real, Farm and Ranch Improvements	32,233,230	0.34%	30,133,660	0.36%	28,971,370	0.38%
Real, Commercial and Industrial	1,699,367,430	17.88%	1,444,017,790	17.35%	1,345,917,590	17.48%
Real, Oil, Gas and Other Mineral Reserves	67,736,295	0.71%	60,451,810	0.73%	47,912,550	0.62%
Real and Tangible Personal, Utilities	121,906,180	1.28%	112,239,820	1.35%	107,330,570	1.39%
Tangible Personal, Commercial and Industrial	914,654,730	9.63%	788,023,400	9.47%	673,917,980	8.75%
Tangible Personal, Other	3,977,540	0.04%	3,736,860	0.04%	3,451,290	0.04%
Real Property, Inventory (1)	51,542,520	0.54%	42,888,950	0.52%	37,485,910	0.49%
Total Appraised Value Before Exemptions	\$ 9,502,225,335	100.00%	\$ 8,322,097,970	100.00%	\$ 7,698,846,060	100.00%
Less: Total Exemptions/Reductions	664,669,273		600,769,922		603,922,660	
Taxable Assessed Value	<u>\$ 8,837,556,062</u>		<u>\$ 7,721,328,048</u>		<u>\$ 7,094,923,400</u>	

Category	Taxable Appraised Value for Fiscal Year Ended 9-30					
	2011		2010		2009	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 4,642,728,300	62.24%	\$ 4,561,016,060	65.40%	\$ 4,342,386,160	65.30%
Real, Residential, Multi-Family	403,415,390	5.41%	332,676,180	4.77%	309,918,460	4.66%
Real, Vacant Lots/Tracts	174,263,370	2.34%	78,126,970	1.12%	79,178,100	1.19%
Real, Acreage (Land Only)	92,264,270	1.24%	61,657,000	0.88%	59,359,030	0.89%
Real, Farm and Ranch Improvements	28,437,740	0.38%	27,260,670	0.39%	24,493,660	0.37%
Real, Commercial and Industrial	1,297,470,220	17.39%	1,056,487,960	15.15%	980,266,340	14.74%
Real, Oil, Gas and Other Mineral Reserves	51,730,530	0.69%	36,159,410	0.52%	45,725,380	0.69%
Real and Tangible Personal, Utilities	107,921,810	1.45%	115,114,640	1.65%	121,178,920	1.82%
Tangible Personal, Commercial and Industrial	624,187,260	8.37%	662,557,080	9.50%	644,617,950	9.69%
Tangible Personal, Other	3,079,110	0.04%	2,749,280	0.04%	2,440,610	0.04%
Real Property, Inventory (1)	34,098,010	0.46%	39,857,780	0.57%	39,954,900	0.60%
Total Appraised Value Before Exemptions	\$ 7,459,596,010	100.00%	\$ 6,973,663,030	100.00%	\$ 6,649,519,510	100.00%
Less: Total Exemptions/Reductions	702,823,690		455,105,278		640,777,030	
Taxable Assessed Value	<u>\$ 6,756,772,320</u>		<u>\$ 6,518,557,752</u>		<u>\$ 6,008,742,480</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Midland Central Appraisal District to the State Controller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

(1) Real inventory properties in the hands of developers or builders; each group of properties in this category is appraised on the basis of its value as a whole as a sale to another developer or builder.

City of Midland, Texas

Table 3A - Valuation and General Obligation Debt History

Fiscal Year Ended 9-30	Estimated City Population (1)	Taxable Assessed Valuation (2)	Taxable Assessed Valuation Per Capita	General Purpose Funded Tax Debt Outstanding at End of Year (3)	Ratio General Purpose Funded Tax Debt to Taxable Assessed Valuation	General Purpose Funded Tax Debt Per Capita
2009	108,666	6,008,742,480	\$ 55,296	\$ 31,940,000	0.53%	\$ 294
2010	111,147	6,518,557,752	58,648	29,400,000	0.45%	265
2011	113,846	6,756,772,320	59,350	26,580,000	0.39%	233
2012	119,385	7,094,923,400	59,429	37,275,000	0.53%	312
2013	121,999	7,721,328,048	63,290	34,480,000	0.45%	283
2014 (4)	124,804	8,837,556,062	70,811	31,535,000	0.36%	253

(1) Source: City of Midland, Texas; the 2010 U.S. Census population was 111,147

(2) Basis of assessment for all years 100% of market value. All taxable property is revalued each year.

(3) General Purpose Funded Tax Debt less Self-Supporting Funded Tax Debt (see "Table 3B - Derivation of General Purpose Funded Tax Debt").

(4) Projected

Table 3B - Derivation of General Purpose Funded Tax Debt

Fiscal Year Ending 9-30	Total Funded Tax Debt Outstanding At End of Year	Less: Self-Supporting Funded Tax Debt				General Purpose Funded Tax Debt
		Airport General Obligation Debt	Water and Sewer General Obligation Debt	Scharbauer Sports Complex General Obligation Debt		
2009	122,230,000	9,790,000	51,400,000	29,100,000	\$	31,940,000
2010	115,370,000	8,575,000	50,075,000	27,320,000		29,400,000
2011	106,280,000	7,310,000	48,695,000	23,695,000		26,580,000
2012	128,245,000	5,990,000	63,115,000	21,865,000		37,275,000
2013	120,385,000	4,600,000	61,350,000	19,955,000		34,480,000
2014 (1)	111,835,000	3,140,000	59,215,000	17,945,000		31,535,000

(1) Projected

Table 4 - Tax Rate, Levy and Collection History

Fiscal Year Ended 9-30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2009	0.485900	0.4352	0.0507	29,198,318	95.54%	98.13%
2010	0.456800	0.3975	0.0593	29,754,496	95.49%	98.26%
2011	0.472850	0.41719	0.05566	31,949,398	95.92%	98.86%
2012	0.470540	0.41845	0.05209	33,384,453	96.31%	98.70%
2013	0.461090	0.40405	0.05704	35,602,271	96.24%	98.55%
2014	0.431927	0.38572	0.04621	38,171,791	N/A	N/A

City of Midland, Texas

Table 5 - Ten Largest Taxpayers

Name of Taxpayer	Nature of Property	2013 Taxable Assessed Valuation	% of 2013 Total Taxable Assessed Valuation
Midland Investors LLC	Real Estate	\$ 100,610,350	1.14%
Basic Energy Service	Oil and Gas Service Co	64,556,820	0.73%
Oncor Electric	Electric Utility	45,046,200	0.51%
Mall at Midland Park LLC	Retail	36,014,010	0.41%
Claydesta Buildings LP	Real Estate	34,970,780	0.40%
COG Realty LLC	Real Estate	25,142,280	0.28%
SC Midland LLC	Real Estate	24,926,500	0.28%
Fasken Midland LLC	Real Estate	24,589,590	0.28%
KLP Blue Ridge Apts LP	Real Estate	24,050,400	0.27%
Palms at Briarwood LLC	Real Estate	23,770,660	0.27%
		<u>\$ 403,677,590</u>	<u>4.57%</u>

Table 6 - Tax Adequacy

Maximum Principal and Interest Requirements, All General Obligation Debt.....	\$ 13,578,674
\$.16005 Tax Rate at 96% Collection Produces.....	\$ 13,578,728
Maximum Principal and Interest Requirements General Purpose General Obligation Debt, 2014.....	\$ 4,188,948
\$.04938 Tax Rate at 96% Collection Produces.....	\$ 4,189,426

Table 7 - Estimated Overlapping Debt

Taxing Jurisdiction	Taxable Assessed Valuation As Of 9-30-13 (1)	Tax Rate (1)	Total Funded Debt As Of 9-30-13	Estimated % Applicable to City (1)	City's Overlapping Funded Debt As Of 9-30-13	Authorized But Unissued Debt As Of 9-30-13
City of Midland	\$ 8,837,556,062	\$ 0.431927	\$ 34,480,000 (6)	100.00%	\$ 34,480,000	\$ 0
Midland Independent School District	16,596,808,856	1.130050	179,870,936 (2)	49.79%	89,557,739	0
Midland Community College District	17,876,798,648	0.133160	30,576,550 (5)	49.80%	15,227,122	0
Midland County	18,573,252,224	0.140178	26,495,000 (3)	47.13%	12,487,094	0
Midland County Hospital District	18,942,750,302	0.125700	108,550,000 (4)	47.14%	51,170,470	0
Total Direct and Overlapping G.O. Debt					<u>\$ 202,922,424</u>	
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation					2.30%	
Per Capita Overlapping G.O. Debt					\$ 1,625.93	

Sources:

- (1) Midland Central Appraisal District
- (2) Midland Independent School District
- (3) Midland County
- (4) Midland County Hospital District
- (5) Midland Community College District
- (6) General Purpose Funded Debt; excludes self-supporting funded debt

City of Midland, Texas

**Table 8A - General Obligation Debt Service Requirements and
Table 8b - Division of Debt Service Requirements**

Fiscal Year Ending 9 - 30	Outstanding Requirements			% of Principal Retired	Less:	Less:	General Purpose Funded Tax Debt	
					Sports Complex Development Corporation General Obligation Debt	Water and Sewer System General Obligation Tax Debt		
	Principal	Interest	Total		Airport General Obligation Debt	General Obligation Debt		
2014	8,550,000	5,028,675	13,578,675	7.10%	1,637,450	2,906,478	4,845,799	4,188,948
2015	8,465,000	4,667,260	13,132,260	14.13%	1,637,575	2,903,478	4,851,599	3,739,608
2016	8,840,000	4,303,297	13,143,297	21.48%	1,637,100	2,900,353	4,851,274	3,754,570
2017	6,300,000	3,973,137	10,273,137	26.71%	-	2,906,603	4,241,499	3,125,035
2018	6,565,000	3,702,362	10,267,362	32.16%	-	2,904,428	4,241,424	3,121,510
2019	6,365,000	3,452,174	9,817,174	37.45%	-	2,907,183	4,242,574	2,667,417
2020	6,645,000	3,177,727	9,822,727	42.97%	-	2,907,113	4,243,824	2,671,790
2021	6,500,000	2,875,484	9,375,484	48.37%	-	2,905,488	4,242,518	2,227,478
2022	4,695,000	2,629,987	7,324,987	52.27%	-	852,744	4,242,274	2,229,969
2023	4,015,000	2,450,770	6,465,770	55.60%	-	-	4,241,434	2,224,336
2024	4,200,000	2,274,000	6,474,000	59.09%	-	-	4,245,281	2,228,719
2025	4,390,000	2,081,285	6,471,285	62.74%	-	-	4,243,481	2,227,804
2026	4,585,000	1,887,755	6,472,755	66.55%	-	-	4,245,656	2,227,099
2027	4,775,000	1,699,739	6,474,739	70.52%	-	-	4,246,594	2,228,145
2028	4,410,000	1,513,027	5,923,027	74.18%	-	-	4,242,431	1,680,596
2029	4,595,000	1,328,531	5,923,531	78.00%	-	-	4,242,106	1,681,425
2030	4,060,000	1,151,713	5,211,713	81.37%	-	-	4,243,991	967,722
2031	4,240,000	973,494	5,213,494	84.89%	-	-	4,242,381	971,113
2032	4,425,000	784,713	5,209,713	88.57%	-	-	4,242,494	967,219
2033	2,485,000	626,125	3,111,125	90.63%	-	-	3,111,125	-
2034	2,615,000	498,625	3,113,625	92.80%	-	-	3,113,625	-
2035	2,745,000	364,625	3,109,625	95.08%	-	-	3,109,625	-
2036	2,885,000	223,875	3,108,875	97.48%	-	-	3,108,875	-
2037	3,035,000	75,875	3,110,875	100.00%	-	-	3,110,875	-
Total	\$ 120,385,000	\$ 51,744,255	\$ 172,129,255		\$ 4,912,125	\$ 24,093,868	\$ 97,992,759	\$ 45,130,503

City of Midland, Texas

Table 9 - Interest and Sinking Fund Budget Projection

	Airport General Obligation Debt	Water and Sewer General Obligation Debt	Scharbauer Sports Complex General Obligation Debt	General Purpose General Obligation Debt	Combined General Obligation Debt
Debt Service Requirements, Fiscal Year Ending 9-30-13	\$ 1,637,450	\$ 4,845,799	\$ 2,906,478	\$ 4,188,948	\$ 13,578,675
Source of Funds, Fiscal Year Ending 9-30-13					
Interest and Sinking Funds, 9-30-13	\$ 872,725	\$ 1,407,668	\$ 1,251,394	\$ 513,689	\$ 4,045,475
Budgeted Ad Valorem Tax Receipts, Including Delinquent Tax Collections				3,977,093	3,977,093
Budgeted Transfers:					
From Water and Sewer Fund	0	4,576,436	0	0	4,576,436
From Airport Fund	496,230	0	0	0	496,230
From Airport Passenger Facility Fund	1,171,211	0	0	0	1,171,211
From Sports Complex Operations Fund	0	0	2,948,138	0	2,948,138
From Golf Course Fund	0	0	0	60,808	60,808
Estimated Investment Income	<u>7,000</u>	<u>12,700</u>	<u>7,000</u>	<u>10,000</u>	<u>36,700</u>
Total Sources of Funds	\$ <u>2,547,166</u>	\$ <u>5,996,804</u>	\$ <u>4,206,532</u>	\$ <u>4,561,590</u>	\$ <u>17,312,091</u>
Estimated Balance, 9-30-14	\$ <u>909,716</u>	\$ <u>1,151,005</u>	\$ <u>1,300,054</u>	\$ <u>372,642</u>	\$ <u>3,733,416</u>

Table 10 - Computation of Self-Supporting Debt

	Airport	Water & Sewer	Scharbauer Sports Complex ⁽¹⁾
Net Revenues, Fiscal Year Ended 9-30-13	\$ 3,462,539	\$ 8,585,571	\$ 9,379,261
Less: Prior Lien Revenue Bonds Revenue Requirements Fiscal Year 2013 – 2014	<u>0</u>	<u>0</u>	<u>0</u>
Balance Available for Subordinate Lien Revenue Bond Requirements	\$ 3,462,539	\$ 8,585,571	9,379,261
Less: Subordinate Lien Revenue Bond Requirements Fiscal Year 2013 – 2014	<u>0</u>	<u>0</u>	<u>0</u>
Balance Available for Other Purposes	\$ 3,462,539	\$ 8,585,571	\$ 9,379,261
Less: System General Obligation Debt Requirements, Fiscal Year 2013 – 2014	<u>1,637,450</u>	<u>4,845,799</u>	<u>2,906,478</u>
Balance	\$ <u>1,825,089</u>	\$ <u>3,739,772</u>	\$ <u>6,472,783</u>
Percentage of System General Obligation Debt Self-Supporting	100.00%	100.00%	100.00%

(1) The Scharbauer Sports Complex Fund was established to account for all payments from the 4b development corporation to the City and all revenues and expenses of the Scharbauer Sports Complex.

City of Midland, Texas

Table 11 - Authorized but Unissued General Obligation Bonds

The City has no authorized but unissued general obligation bonds.

Table 12 - Other Obligations

The City has no lease-purchase agreements for the acquisition of any assets.

Housing and Urban Development Section 108 Program Note

On November 27, 2000, the City entered into a note agreement with the Department of Housing and Urban Development ("HUD") for loan guarantee assistance under Section 108 of title 1 of the Housing and Community Development Act 1974, as amended, in the amount of \$1,045,000. The Note was issued to aid in the establishment of an Advanced Technology Center in order to provide secondary and post secondary education opportunities using innovative technology and pay professional services rendered in relation to such project and the financing thereof. Under the terms of the Note, the City will make annual principal payments on August 1, of each year beginning in 2001 through 2015; interest payments were due semi-annually at a variable rate of 20 basis points above London Interbank Offered Rates until a fixed rate was established pursuant to the note agreement. As of August 9, 2001, the interest rate on the \$1,000,000 outstanding balance of this note agreement was fixed as part of a \$313,756,000 U.S. Department of Housing and Urban Development, Section 108 Government Guaranteed Participation Certificates, Series HUD 2001-A. The Note will be paid from the City's Water and Sewer System.

The following represents the outstanding maturities and associated annual interest payments of this note:

City of Midland, Texas HUD Section 108 Loan Debt Service Schedule			
Fiscal Year Ending 9-30	Principal	Interest	Total
2014	95,000	12,112	107,112
2015	100,000	6,250	106,250
Total Issue	\$ 195,000	\$ 18,362	\$ 213,362

City of Midland, Texas

Table 13 - General Fund Revenues and Expenditure History

	For Fiscal Years Ending September 30,				
	2013	2012	2011	2010	2009
Revenues					
Taxes	\$ 82,072,286	\$ 76,802,703	\$ 70,176,536	\$ 60,344,593	\$ 60,751,913
Licenses and permits	3,142,106	1,936,372	1,604,258	990,770	958,895
Fines and forfeitures	3,891,789	3,808,669	3,648,203	3,276,328	3,134,799
Charges for current services	2,564,362	2,685,136	2,311,691	2,356,353	2,553,851
Rentals	17,344	11,344	14,344	24,655	19,769
Intergovernmental grants	782,449	1,442,040	2,194,974	2,500,250	3,635,438
Investment income	(896,062)	352,527	640,809	818,008	915,026
Miscellaneous	1,087,825	488,952	2,704,778	514,520	940,774
Total revenues	<u>\$ 92,662,099</u>	<u>\$ 87,527,743</u>	<u>\$ 83,295,593</u>	<u>\$ 70,825,477</u>	<u>\$ 72,910,465</u>
Expenditures					
Administration	\$ 1,478,038	\$ 1,229,487	\$ 1,027,080	\$ 1,002,054	\$ 1,013,656
Support services	15,767,979	11,986,500	11,779,518	11,571,007	11,180,291
Fiscal management	2,205,458	2,154,462	1,990,886	1,741,478	1,889,392
Development services	2,618,009	2,484,995	10,639,275	11,090,190	11,692,087
Engineering	15,188,449	7,700,839	-	-	-
Community services	10,018,185	10,597,142	9,591,163	9,783,237	9,037,633
Police	24,538,644	22,766,719	21,393,542	21,044,525	20,668,423
Fire	22,905,985	20,918,880	18,782,600	18,203,854	18,337,470
Other	2,585,876	2,004,107	1,952,344	2,266,613	2,473,180
Total expenditures	<u>\$ 97,306,623</u>	<u>\$ 81,843,131</u>	<u>\$ 77,156,408</u>	<u>\$ 76,702,958</u>	<u>\$ 76,292,132</u>
Excess of revenues over (under) expenditures	<u>\$ (4,644,524)</u>	<u>\$ 5,684,612</u>	<u>\$ 6,139,185</u>	<u>\$ (5,877,481)</u>	<u>\$ (3,381,667)</u>
Other financing sources (uses):					
Sale of capital assets	\$ 350,000	\$ -	\$ -	\$ -	\$ -
Transfers in	5,043,341	4,932,814	4,948,358	4,668,811	6,003,361
Transfers out	(565,834)	(515,103)	(586,248)	(452,511)	(948,508)
Total Other Financing Sources (Uses)	<u>\$ 4,827,507</u>	<u>\$ 4,417,711</u>	<u>\$ 4,362,110</u>	<u>\$ 4,216,300</u>	<u>\$ 5,054,853</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ 182,983</u>	<u>\$ 10,102,323</u>	<u>\$ 10,501,295</u>	<u>\$ (1,661,181)</u>	<u>\$ 1,673,186</u>
Fund balance at beginning of the year	<u>58,677,520</u>	<u>48,575,197</u>	<u>38,073,902</u>	<u>39,735,083</u>	<u>38,061,897</u>
Fund balance at the end of the year	<u>\$ 58,860,503</u>	<u>\$ 58,677,520</u>	<u>\$ 48,575,197</u>	<u>\$ 38,073,902</u>	<u>\$ 39,735,083</u>

City of Midland, Texas

Table 14 - Municipal Sales Tax History

Fiscal Year Ended 9-30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita (1)
2009	23,848,005	81.68%	0.3969	219.46
2010	23,563,357	79.19%	0.3615	212.00
2011	30,281,637	94.78%	0.4482	265.79
2012	35,472,614	106.25%	0.5000	306.08
2013	39,046,477	109.67%	0.5057	312.86

(1) See "Estimated Population" under "Table 3A - Valuation and Funded Debt History"

Table 15 - Current Investments

As of September 30, 2013, the City's investable funds were invested in the following categories:

Type of Investment

Description	% of Market Value	Market Value
U.S. Treasury Notes and Bills	0.00%	\$ 0
U.S. Agency and Instrumentality	39.97%	86,528,100
Cash and Local Government Pools	60.03%	129,929,536
Totals	100.00%	\$ 216,457,636

As of such date, 59.42% of the City's investment portfolio was invested in immediately available funds from pools. The market value of the investment portfolio was 100% of its fair value and the effective investment yield was 0.6055%. Average maturity of the portfolio was 33.38 months.

City of Midland, Texas

Table 16A - Airport Statement of Operations

	For Fiscal Year Ending September 30,				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Operating Revenues</u>					
<u>Terminal (1)</u>					
Airport Parking	\$ 2,417,005	\$ 2,245,055	\$ 2,047,487	\$ 1,815,315	\$ 1,814,053
Airport Building Rental	3,411,902	3,107,199	2,924,153	2,658,054	2,800,906
Airport Aviation Rental	235,853	234,823	219,237	211,114	224,054
Airport Landing Fees	464,970	435,169	430,466	424,918	416,877
Airport Commercial Rentals	188,032	181,789	145,659	144,567	142,144
Airport Fuel and Oil Commissions	96,250	98,528	94,520	84,603	80,832
Miscellaneous	94,199	95,197	113,309	132,630	143,374
	<u>\$ 6,908,211</u>	<u>\$ 6,397,760</u>	<u>\$ 5,974,831</u>	<u>\$ 5,471,201</u>	<u>\$ 5,622,240</u>
<u>Air Park (2)</u>					
Airpark Rentals	\$ 138,837	\$ 145,220	\$ 144,432	\$ 143,856	\$ 142,097
Airpark Fuel and Oil Commissions	20,602	18,874	18,250	14,468	15,293
	<u>\$ 159,439</u>	<u>\$ 164,094</u>	<u>\$ 162,682</u>	<u>\$ 158,324</u>	<u>\$ 157,390</u>
Total Operating Revenues	<u>\$ 7,067,650</u>	<u>\$ 6,561,854</u>	<u>\$ 6,137,513</u>	<u>\$ 5,629,525</u>	<u>\$ 5,779,630</u>
<u>Nonoperating Revenues</u>					
Passenger Facility Charges	\$ 2,028,866	\$ 2,126,221	\$ 1,816,827	\$ 1,808,537	\$ 1,638,332
Other Nonoperating	225,079	388,153	283,486	490,305	381,750
	<u>\$ 2,253,945</u>	<u>\$ 2,514,374</u>	<u>\$ 2,100,313</u>	<u>\$ 2,298,842</u>	<u>\$ 2,020,082</u>
Total Nonoperating Revenues	<u>\$ 2,253,945</u>	<u>\$ 2,514,374</u>	<u>\$ 2,100,313</u>	<u>\$ 2,298,842</u>	<u>\$ 2,020,082</u>
GROSS REVENUES	<u>\$ 9,321,595</u>	<u>\$ 9,076,228</u>	<u>\$ 8,237,826</u>	<u>\$ 7,928,367</u>	<u>\$ 7,799,712</u>
<u>OPERATING AND MAINTENANCE EXPENSES (3)</u>					
Salaries and Fringe Benefits	\$ 2,147,271	\$ 1,929,992	\$ 1,889,317	\$ 1,891,405	\$ 1,863,637
Contractual Services	1,976,765	1,816,722	2,091,181	2,338,144	2,095,244
Maintenance of Structures	113,984	65,661	51,563	153,539	62,362
Maintenance of Equipment	25,890	52,287	40,181	48,711	35,994
Foreign Trade Zone	155,011	154,132	169,730	146,988	160,877
General Fund Services	1,368,159	1,409,574	1,410,971	1,424,839	1,373,011
Supplies	71,976	64,927	72,734	78,065	61,631
Other Expenses	-	-	-	-	25,469
	<u>\$ 5,859,056</u>	<u>\$ 5,493,295</u>	<u>\$ 5,725,677</u>	<u>\$ 6,081,691</u>	<u>\$ 5,678,225</u>
TOTAL OPERATING AND MAINTENANCE EXPENSES	<u>\$ 5,859,056</u>	<u>\$ 5,493,295</u>	<u>\$ 5,725,677</u>	<u>\$ 6,081,691</u>	<u>\$ 5,678,225</u>
NET REVENUES	<u>\$ 3,462,539</u>	<u>\$ 3,582,933</u>	<u>\$ 2,512,149</u>	<u>\$ 1,846,676</u>	<u>\$ 2,121,487</u>

(1) "Terminal" means Midland International Airport

(2) "Airpark" is a 500 acre airport, part of the Airport System, located in north Midland.

(3) "Operating and Maintenance Expenses" do not include depreciation, capital outlay or debt service.

City of Midland, Texas

Table 16B - Water & Sewer Statement of Operations

	Fiscal Year Ended 9-30,				
REVENUES	2013	2012	2011	2010	2009
Water Sales (1)	\$ 34,297,985	\$ 29,800,549	\$ 33,602,251	\$ 29,397,204	\$ 30,907,091
Sewer Charges (1)	10,581,550	10,130,998	9,689,794	9,284,805	8,902,585
Other Operating Revenue	664,633	498,317	480,468	377,507	445,844
Total Operating Revenue	\$ 45,544,168	\$ 40,429,864	\$ 43,772,513	\$ 39,059,516	\$ 40,255,520
Non-Operating Income (2)	99,722	1,142,787	1,501,255	1,999,871	2,128,819
Total Revenue	\$ 45,643,890	\$ 41,572,651	\$ 45,273,768	\$ 41,059,387	\$ 42,384,339
OPERATING EXPENSE (3)					
Salaries and Fringe	\$ 5,830,211	\$ 5,392,602	\$ 5,371,588	\$ 5,425,255	\$ 5,437,281
Benefits					
Contractual Services (4)	24,630,222	18,718,955	20,268,652	18,491,190	17,985,171
Maintenance of Structure	438,788	412,906	303,721	301,953	539,709
Maintenance of Equipment	456,659	335,035	417,057	320,186	351,790
Franchise Fees	2,692,772	2,398,143	2,599,173	2,324,821	2,393,081
General Fund Services	1,388,229	1,371,654	1,469,399	1,452,378	1,323,172
Supplies	1,581,354	1,805,380	1,876,189	1,587,762	1,642,300
Other Expenses	40,084	15	111	770	65,263
Total Operating Expenses	\$ 37,058,319	\$ 30,434,690	\$ 32,305,890	\$ 29,904,315	\$ 29,737,767
Net Revenues	\$ 8,585,571	\$ 11,137,961	\$ 12,967,878	\$ 11,155,072	\$ 12,646,572
Water Customers	38,719	38,087	37,767	37,244	36,984
Sewer Customers (Est.)	38,719	38,087	37,767	37,244	36,984

(1) Net after discounts allowed (see "Water and Sewer Rates "), penalties and bad debts.

(2) Non-operating income excludes (1) interest income and gain on sale of securities from investment of funds restricted for construction and (2) interest expense.

(3) Depreciation excluded.

(4) Includes all payments to Colorado River Municipal Water District ("CRMWD") for purchase of water and other contractual obligations.

City of Midland, Texas

Table 17 - Outstanding System Revenue Bonds

Prior Lien Bonds:

Waterworks and Sewer System (Prior Lien) Revenue Bonds Outstanding, 9-30-13.....	\$	0
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Subordinate Lien Bonds:

Waterworks and Sewer System Junior Lien Revenue Bonds Outstanding, 9-30-13.....		0
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Total Waterworks and Sewer System Revenue Bonds Outstanding, 9-30-13.....	\$	0
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Table 18 - Historical Water Pumpage and Consumption

Fiscal Year Ended 9-30	Water Pumpage Average Day Pumpage (MGD)	Peak Day Pumpage (MGD)	Total Pumpage (Million Gallons)	Water Consumption Average Day Consumption (MGD)	Total Consumption (Million Gallons)
2009	24.93	42.35	9,099	23.36	8,528
2010	23.74	40.04	8,664	21.54	7,863
2011	25.35	35.37	9,254	24.00	8,759
2012	15.92	35.37	5,826	15.56	5,694
2013	16.45	24.08	6,019	15.60	5,711
Average Number of Accounts, 10/11 - 9/12 (est.).....			38,403		
Average Monthly Water Bill, 10/11 - 9/12 (est.).....			\$97.39		
Average Monthly Consumption per Account.....			12.39		

AIRPORT REVENUE DEBT

(Unaudited)

City of Midland, Texas

Table 1 - Passenger Enplanements on Scheduled Airline Flights

Calendar Year	Southwest Airlines (1)	Continental Airlines (2)	American Eagle (3)	Other Airlines	Total
2009	269,157	74,168	76,340	1,180	420,845
2010	269,195	76,730	72,029	24,589	442,543
2011	287,982	73,852	71,449	33,070	466,353
2012	295,403	52,584	81,922	60,597	490,506
2013	278,961	72,478	95,104	56,057	502,600

(1) Southwest commenced service in May 1977.

(2) Continental commenced service in January 1993.

(3) American Eagle commenced service in November 1990.

City of Midland, Texas

Table 2 - Airline / Airport Use Agreement

Certificated Passenger Airline/Airport Use Agreement

Scheduled airlines operating at Midland International Airport are required to sign standard Airline/Airport use and lease agreements (the "Agreements"). These agreements allow the signatory airline the use of certain premises and facilities and for the exercise of certain rights and privileges at the Midland International Airport in connection with the operation of an air transportation system. All current airline agreements will terminate at midnight on January 31, 2014, unless terminated sooner according to various provisions within each agreement.

Landing Fees

On August 1, 2008, the rate for landing fees was temporarily rolled back from \$0.70 to \$0.60 per 1,000 Gross Landing Weight. This reduction, enacted to assist the airlines during the crisis generated by high fuel costs, lapsed on February 1, 2009. At that time the rate returned to the \$0.70 per 1,000 Gross Landing Weight. The City has no plans to increase landing fees above that level during the year ended September 30, 2014.

Rentals

Terminal Building joint use and exclusive rates are currently \$20.50 per square foot per year. The rate used to calculate the amount of rent to be paid by the airline to the City shall be reviewed annually and may be adjusted if the Airport's financial data for the Airport System Cost/Revenue indicates such need. In no event shall the square footage rate be less than the base \$20.50 rate. No change in rates is anticipated for Fiscal Year 2014.

Exclusive Terminal Building Space

Includes ticket counters, operations offices, airfreight handling areas, and administrative offices.

Non-exclusive Terminal Building Space

Joint Use Area - 20% of the total monthly charge divided equally among all scheduled airlines. 40% of the total is prorated among all scheduled airlines based upon the ratio of each such airline's number of revenue landings during the calendar month for which such charges are being determined, to the total of all revenue landings for all scheduled airlines. The remaining 40% is prorated among all scheduled airlines based upon the ratio of each such scheduled airline's number of enplaned passengers to the total of enplaned passengers for the calendar month.

Passenger Loading Bridges and Baggage Claim System

Under the terms of the Airline/Airport Use and Lease agreement between the City of Midland and the airlines serving the Airport, the airlines have responsibility for operation of these systems. In accordance with the Aircraft Passenger Loading Bridge and Baggage System Maintenance contract, charges for maintenance are assessed to the airlines based upon labor performed plus parts, materials and shipping costs.

Extraordinary Costs and Expenses

The agreements provide for timely renegotiation and adjustments to rentals, landing fees and other charges in the event extraordinary costs or expenses are incurred by the City, including technical advances or new governmental requirements.

City of Midland, Texas

Table 3 - Airport Revenue Debt Service Requirements

The final payment to retire the Airport Revenue Bonds, Series 1997 was made on December 1, 2006.

Table 4 - Authorized But Unissued Airport Revenue Bonds; Anticipated Issuance of Airport Revenue Bonds

The City has no authorized but unissued revenue bonds, and pursuant to State law is not required to approve its revenue bonds through election. The City does not anticipate the issuance of additional Airport Revenue Bonds in the foreseeable future.

Table 5 - Other Airport Obligations

The City has no lease, lease-purchase or note obligations secured by Airport revenues. The City's Tax and Airport Subordinate Lien Revenue and Tax Certificates of Obligation, Series 1996 was refunded upon issuance of General Obligation Refunding Bonds, Series 2006A (outstanding principal balance at 9-30-13 is \$4,600,000). This debt is secured by an ad valorem tax.

City of Midland, Texas

Table 6 - Airport Statement of Operations

	For Fiscal Year Ending September 30,				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Operating Revenues</u>					
<u>Terminal (1)</u>					
Airport Parking	\$ 2,417,005	\$ 2,245,055	\$ 2,047,487	\$ 1,815,315	\$ 1,814,053
Airport Building Rental	3,411,902	3,107,199	2,924,153	2,658,054	2,800,906
Airport Aviation Rental	235,853	234,823	219,237	211,114	224,054
Airport Landing Fees	464,970	435,169	430,466	424,918	416,877
Airport Commercial Rentals	188,032	181,789	145,659	144,567	142,144
Airport Fuel and Oil Commissions	96,250	98,528	94,520	84,603	80,832
Miscellaneous	94,199	95,197	113,309	132,630	143,374
	<u>\$ 6,908,211</u>	<u>\$ 6,397,760</u>	<u>\$ 5,974,831</u>	<u>\$ 5,471,201</u>	<u>\$ 5,622,240</u>
<u>Air Park (2)</u>					
Airpark Rentals	\$ 138,837	\$ 145,220	\$ 144,432	\$ 143,856	\$ 142,097
Airpark Fuel and Oil Commissions	20,602	18,874	18,250	14,468	15,293
	<u>\$ 159,439</u>	<u>\$ 164,094</u>	<u>\$ 162,682</u>	<u>\$ 158,324</u>	<u>\$ 157,390</u>
Total Operating Revenues	<u>\$ 7,067,650</u>	<u>\$ 6,561,854</u>	<u>\$ 6,137,513</u>	<u>\$ 5,629,525</u>	<u>\$ 5,779,630</u>
<u>Nonoperating Revenues</u>					
Passenger Facility Charges	\$ 2,028,866	\$ 2,126,221	\$ 1,816,827	\$ 1,808,537	\$ 1,638,332
Other Nonoperating	225,079	388,153	283,486	490,305	381,750
	<u>\$ 2,253,945</u>	<u>\$ 2,514,374</u>	<u>\$ 2,100,313</u>	<u>\$ 2,298,842</u>	<u>\$ 2,020,082</u>
Total Nonoperating Revenues	<u>\$ 2,253,945</u>	<u>\$ 2,514,374</u>	<u>\$ 2,100,313</u>	<u>\$ 2,298,842</u>	<u>\$ 2,020,082</u>
GROSS REVENUES	<u>\$ 9,321,595</u>	<u>\$ 9,076,228</u>	<u>\$ 8,237,826</u>	<u>\$ 7,928,367</u>	<u>\$ 7,799,712</u>
<u>OPERATING AND MAINTENANCE EXPENSES (3)</u>					
Salaries and Fringe Benefits	\$ 2,147,271	\$ 1,929,992	\$ 1,889,317	\$ 1,891,405	\$ 1,863,637
Contractual Services	1,976,765	1,816,722	1,820,549	2,338,144	2,095,244
Maintenance of Structures	113,984	65,661	51,563	153,539	62,362
Maintenance of Equipment	25,890	52,287	40,181	48,711	35,994
Foreign Trade Zone	155,011	154,132	169,730	146,988	160,877
General Fund Services	1,368,159	1,409,574	1,410,971	1,424,839	1,373,011
Supplies	71,976	64,927	72,734	78,065	61,631
Other Expenses	-	-	-	-	25,469
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,469</u>
TOTAL OPERATING AND MAINTENANCE EXPENSES	<u>\$ 5,859,056</u>	<u>\$ 5,493,295</u>	<u>\$ 5,455,045</u>	<u>\$ 6,081,691</u>	<u>\$ 5,678,225</u>
NET REVENUES	<u>\$ 3,462,539</u>	<u>\$ 3,582,933</u>	<u>\$ 2,782,781</u>	<u>\$ 1,846,676</u>	<u>\$ 2,121,487</u>

(1) "Terminal" means Midland International Airport

(2) "Airpark" is a 500 acre airport, part of the Airport System, located in north Midland.

(3) "Operating and Maintenance Expenses" do not include depreciation, capital outlay or debt service.

City of Midland, Texas

Table 7 - Coverage

Maximum Principal and Interest Requirements, 2013.....	\$	0
Coverage of Maximum Requirements by 9-30-12 Net Revenues.....		n/a
Coverage of Maximum Requirements by 9-30-13 Net Revenues.....		n/a
Airport Revenue Bonds to be Outstanding, 9-30-13.....	\$	0

Table 8 - Current Investments

As of September 30, 2013, the City's investable funds were invested in the following categories:

Type of Investment

Description	% of Market Value	Market Value
U.S. Treasury Notes and Bills	0.00%	\$ 0
U.S. Agency and Instrumentality	39.97%	86,528,100
Cash and Local Government Pools	60.03%	129,929,536
Totals	100.00%	\$ 216,457,636

As of such date, 59.42% of the City's investment portfolio was invested in immediately available funds from pools. The market value of the investment portfolio was 100% of its fair value and the effective investment yield was 0.6055%. Average maturity of the portfolio was 33.38 months.